

City of Marquette, Michigan
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

City of Marquette, Michigan
Comprehensive Annual Financial Statement
Fiscal Year Ended June, 30, 2008

City Commission
Tom Tourville, Mayor

Mike Coyne
Joseph Lavey
Beth Linna
John DePetro
Don Potvin
John Kivela

City Manager
Judy Akkala

Prepared by
Finance and Accounting Department

Finance Director
Gary Simpson

City of Marquette
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

INTRODUCTORY SECTION

Table of Contents.....	3
Transmittal Letter.....	11
Certificate of Achievement for Excellence in Financial Reporting.....	17
Organizational Chart.....	18
Administrative Staff.....	19

FINANCIAL SECTION

Independent Auditors' Report.....	21
Management's Discussion and Analysis.....	23

SECTION 1 - BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Statement of Net Assets.....	36
Statement of Activities.....	37

Fund Financial Statements:

Governmental Funds Balance Sheet.....	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	39
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.....	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	41
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Comparison Schedule.....	42

Continued --

Major Special Revenue Funds Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Comparisons Schedule.....	43
Proprietary Funds Statement of Net Assets.....	44
Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets.....	45
Proprietary Funds Statement of Cash Flows.....	46
Fiduciary Funds Statement of Fiduciary Net Assets.....	47
Fiduciary Funds Statement of Changes in Fiduciary Net Assets.....	48
Component Units Combining Statement of Net Assets.....	49
Component Units Combining Statement of Activities.....	50
Notes to Financial Statements.....	51
 SECTION 2 - REQUIRED SUPPLEMENTARY INFORMATION:	
Municipal Employees Retirement System of Michigan: Defined Benefit Pension Plan Analysis of Funding Information.....	94
Fire-Police Retirement System: Analysis of Funding Information.....	95
Marquette Board of Light and Power: Municipal Employees Retirement System of Michigan: Defined Benefit Pension Plan Analysis of Funding Information.....	96
 SECTION 3 - MAJOR GOVERNMENTAL FUNDS:	
General Fund: Comparative Balance Sheet.....	98
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	99
Major Street and Trunkline Fund: Comparative Balance Sheet.....	106
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	107

Continued --

Local Street Fund:	
Comparative Balance Sheet.....	108
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	109
Capital Projects Fund:	
Comparative Balance Sheet.....	110
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	111
SECTION 4 - NONMAJOR GOVERNMENTAL FUNDS:	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	115
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	116
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.....	117
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	118
Criminal Justice Training Fund:	
Comparative Balance Sheet.....	119
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	120
MSHDA Downtown Rental Fund:	
Comparative Balance Sheet.....	121
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	122
Lakeview Arena Fund:	
Comparative Balance Sheet.....	123
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	124
Nonmajor Debt Service Funds:	
Combining Balance Sheet.....	125
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	126
1998 Building Authority Municipal Service Center - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	127

Continued --

1998 Building Authority Lakeview Arena - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	128
2003 Founders Landing - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	129
2004 Spring Street - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	130
FY 07 Street Projects - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	131
High Street SRF2 - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	132
Forestland - Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual.....	133
Cemetery Fund - Permanent Fund:	
Comparative Balance Sheet.....	134
Schedule of Revenues, Expenditures and Changes in Fund Balance.....	135
SECTION 5 - ENTERPRISE FUNDS:	
Nonmajor Enterprise Fund - Marina Fund:	
Comparative Statement of Net Assets.....	138
Schedule of Revenues, Expenses and Changes in Net Assets -	
Budget and Actual.....	139
Statement of Cash Flows.....	140
Major Enterprise Funds:	
Water Supply and Sewage Disposal Fund:	
Comparative Statement of Net Assets.....	141
Schedule of Changes in Revenues, Expenses and Changes in Net Assets -	
Budget and Actual.....	142

Continued --

Stormwater Utility Fund:	
Comparative Statement of Net Assets.....	144
Schedule of Changes in Revenues, Expenses and Changes in Net Assets -	
Budget and Actual.....	145
SECTION 6 - INTERNAL SERVICE FUNDS:	
Combining Statement of Net Assets.....	148
Combining Statement of Revenues, Expenses and Changes in Net Assets -	
Budget and Actual.....	149
Combining Statement of Cash Flows.....	150
Motor Vehicle Fund:	
Comparative Statement of Net Assets.....	151
Schedule of Revenues, Expenses and Changes in Net Assets -	
Budget and Actual.....	152
Municipal Service Center Fund:	
Comparative Statement of Net Assets.....	153
Schedule of Revenues, Expenses and Changes in Net Assets -	
Budget and Actual.....	154
SECTION 7 - FIDUCIARY FUNDS:	
Special Activities Private-Purpose Trust Fund:	
Comparative Statement of Fiduciary Net Assets.....	156
Fire-Police Retirement System Pension Trust Fund:	
Comparative Statement of Plan Net Assets.....	157
Agency Fund:	
Comparative Balance Sheet.....	158
Statement of Changes in Assets and Liabilities.....	159
SECTION 8 - CAPITAL ASSET SCHEDULES:	
Schedule of Capital Assets Used in the Operation of	
Governmental Funds - By Source.....	162
Schedule of Capital Assets Used in the Operation of	
Governmental Funds - By Function and Activity.....	163
Schedule of Changes in Capital Assets Used in the Operation of	
Governmental Funds - By Function and Activity.....	164

Continued --

SECTION 9 - LONG-TERM DEBT SCHEDULES:

Schedule of Bonds, Notes Payable and Capitalized Lease Obligations Payable - Enterprise Funds.....	166
Schedule of Bonds Payable - Component Unit - Board of Light and Power, Electric Utility Fund.....	167

SECTION 10 - COMPONENT UNITS:

Board of Light and Power Electric Utility:	
Comparative Statement of Net Assets.....	170
Schedule of Revenues, Expenses and Changes in Net Assets.....	171
Statement of Cash Flows.....	172
Peter White Public Library:	
Statement of Net Assets.....	173
Statement of Activities.....	174
Governmental Funds Balance Sheet.....	175
Reconciliation of the Governmental funds - Balance Sheet to the Statement of Net Assets.....	176
Governmental Funds Statement of Revenues, Expenses and Changes in Fund Balance.....	177
Reconciliation of the Statement of Revenues, Expenses and Change in Fund Balance of the Governmental Funds to the Statement of Activities.....	178
Nonmajor Component Unit - Downtown Development Authority:	
Statement of Net Assets.....	179
Statement of Activities.....	180
Governmental Funds Balance Sheet.....	181
Reconciliation of the Governmental funds - Balance Sheet to the Statement of Net Assets.....	182
Governmental Funds Statement of Revenues, Expenses and Changes in Fund Balance.....	183
Reconciliation of the Statement of Revenues, Expenses and Change in Fund Balance of the Governmental Funds to the Statement of Activities.....	184

SECTION 11 - STATISTICAL INFORMATION:

Net Assets by Component - Table 1.....	186
Changes in Net Assets - Table 2.....	187
Fund Balances, Governmental Funds - Table 3.....	189
Changes in Fund Balances, Governmental Funds - Table 4.....	190

Continued --

General Governmental Expenditures by Functions - Table 5.....	191
General Revenues by Sources - Table 6.....	192
Assessed Value and Actual Value of Taxable Property - Table 7.....	193
Direct and Overlapping Property Tax Rates - Table 8.....	194
Principal Property Tax Payers - Table 9.....	195
Property Tax Levies and Collections - Table 10.....	196
Ratios of Outstanding Debt by Type - Table 11.....	197
Ratios of General Bonded Debt Outstanding - Table 12.....	198
Direct and Overlapping Governmental Activities Debt - Table 13.....	199
Legal Debt Margin Information - Table 14.....	200
Pledged-Revenue Coverage - Table 15.....	201
Demographic and Economic Statistics - Table 16.....	203
Principal Employers - Table 17.....	204
Full-Time Equivalent City Government Employees by Function/Program - Table 18.....	205
Operating Indicators by Function/Program - Table 19.....	206
Capital Asset Statistics by Function/Program - Table 20.....	207

Marquette



the Superior location

November 24, 2008

Honorable Mayor, Members of the City Commission,
And the Citizens of Marquette, Michigan

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Marquette, Michigan for the fiscal year ended June 30, 2008, is hereby submitted in accordance with Section 8.9 of the City Charter, State and Federal statutes. The City Charter and statutes require that the City of Marquette, Michigan issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. We believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

To provide a reasonable basis for making these representations, the City's management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our belief, this financial report is complete and reliable in all material respects.

REPORTING ENTITY

The financial reporting entity (the City) includes all the funds of the primary government (i.e., City of Marquette, Michigan as legally defined), as well as all of its component units. The criterion used in determining the reporting entity is in accordance with Statement #14 by the Governmental Accounting Standards Board (GASB). Component units are legally separate entities for which the primary government is financially accountable. Blended component units (although legally separate entities) are, in substance, part of the primary government's operations and are included (blended) as part of the primary government. The City of Marquette Building Authority is included as a blended component unit because its sole purpose is to finance and

construct the City's public buildings. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The City of Marquette Board of Light and Power, the City of Marquette Downtown Development Authority, and the Peter White Public Library are reported as discretely presented component units in this CAFR.

CITY PROFILE

The City of Marquette is the county seat of Marquette County and is the largest community in Michigan's Upper Peninsula. The county contains the largest land mass out of all Michigan counties, encompassing 1,878 square miles. The City is located on the south shore of Lake Superior and is one of the oldest communities in Michigan's Upper Peninsula. Founded in 1849 with the discovery of high grade iron ore, the City has been a major port for shipping for more than 100 years. It was incorporated as a village in 1859 and as a city in 1871 under the provision of Act 279, PS 1909, as amended (Home Rule City Act).

The City provides a full range of municipal activities including: executive, elections, general services, administration, law enforcement, fire protection, protective inspection, public parks and recreation, cultural, conservation of natural resources, planning, and other functions. In addition, the City maintains three enterprise funds providing water and sewer utilities, marina services, and stormwater management.

The City of Marquette is organized under the Commission-Manager form of government. The Commission consists of seven members, elected at large, who are residents of the City and qualified to vote under the constitution and laws of the State of Michigan. The members of the Commission are elected to serve staggered terms of three years with a maximum of six consecutive years. The Mayor and Mayor Pro-Tem of the City are elected annually from amongst the Commission members. The Commission appoints the City Manager and the City Attorney. All other administrative appointments are the responsibility of the City Manager.

ECONOMIC CONDITIONS AND OUTLOOK

With a stable population of approximately 20,000 residents and affordable living, the City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. The City's major employers, Northern Michigan University (NMU) and Marquette General Hospital (MGH), continue to help strengthen the area economy. NMU is maintaining enrollment to near record levels and MGH continues to expand which should help bring more jobs and spending to the local economy. The area's timber operations are self-sustaining and continue to provide employment and pump money into the local economy and the iron ore mines continue operations after a brief close down in the summer of 2001. The City still has room to expand in its industrial park and interest appears to be picking up in potential companies desiring to locate there. These additions will add more jobs, more spending, and

added property tax base to the local economy.

The City also continues to benefit economically as a popular recreation and vacation spot as there are plenty of both summer and winter recreational activities. This past summer saw the continuation of Cruise Ships visiting the City as a regular stop on tours of the Great Lakes which will provide even greater opportunities to pump more money into the local economy. Also, through its Downtown Development Authority, the City continues to work with the downtown merchants and provide opportunities for attracting more visitors to Marquette's downtown shopping district. Recent projects included adding a linear park with an out-door ice skating rink in the downtown area and the City also continues to strongly support the festivals which bring in several thousands of visitors to the area each year.

Marquette continues to provide a quality of life that is difficult to match anywhere in the country. Our leadership continues to guide the future of Marquette with a proactive, visionary approach and an appreciation for cooperation and teamwork. Nearly 160 community volunteers serve on the City's 24 boards, committees, and commissions. The City will prosper and continue to be a "Superior Location" with open government leadership, a strong education system, an active business community and spirited citizen involvement.

FY 2008 INITIATIVES

The major theme which guided projects and initiatives for FY 2008 was:

- Infrastructure Repairs, Replacements and Improvements

In accordance with this theme, the following was accomplished in FY 2008:

- ✓ Stormwater Drainage Improvements - \$220,872
- ✓ Water/Sewer System Improvements – \$1,657,978
- ✓ Street/Road Reconstruction - \$4,471,108

PLANNING FOR THE FUTURE

Key components of the City Commission Strategic Plan for FY 2008 were:

- ⇒ Develop our Master Plan to incorporate our vision concepts.
- ⇒ Maintain our leadership role in infrastructure development and improvements.
- ⇒ Continue to foster regionalism.

#1) Develop our Master Plan to incorporate our vision concepts.

- Develop a vision using the vision concepts collected from area residents, boards, committees, and commissions.
- Other issues to be addressed are: Street Projects, Founders Landing Development, Iron Bay Business Park, Shoreline Erosion, Trail System (motorized and non motorized), and Pilings Re-use.

#2) Maintain our leadership role in infrastructure development and improvements.

- Undertake major and local street reconstruction projects.
- Work toward having overhead utilities converted to underground.
- Upgrade of the Wastewater Treatment Plant.
- Evaluate clearing the median of utilities, signs, and trees during major street reconstruction and renovation projects.
- Conduct an over all evaluation of park facilities and uses for best utilization.

#3) Continue to foster regionalism.

- Partner with others to complete a demographic assessment.
- Continue to address senior and recreation issues from a regional perspective.

Plans beyond FY 2008 will continue to emphasize the major themes of aggressive infrastructure improvement, technology enhancement, and maintenance of currently operating facilities with an even stronger emphasis on the waterfront and downtown areas.

OTHER FINANCIAL INFORMATION

Risk Management – The objective of risk management is to provide maximum quality protection to the City's assets, employees and the public at the lowest possible cost. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City is constantly evaluating its risk management practices seeking to improve its safety and loss control functions, insurance placement, and financing practices.

As of July 1, 1997 the City of Marquette initiated a comprehensive risk management program with the Michigan Municipal Liability & Property Pool for general liability, public official's errors and omissions, police professional liability, personal injury and broadcaster liability, and automotive liability insurance. The Michigan Municipal Liability Workmen's Compensation Pool is used for employee injury claims. Both of these are risk sharing pools whereby member premiums are used to pay member claims in excess of deductibles and to purchase commercial excess insurance coverage.

Cash Management – Pursuant to the cash management policy of the City, cash temporarily idle during the year was invested in those investments authorized by law and included certificates of deposit, demand savings accounts, and securities sold by the United States government or its agencies and State approved municipal trust funds. The City invests all funds' cash, with maturities planned to coincide with cash needs utilizing the pooled cash concept whenever possible. Any cash available for longer term investing is reviewed by the Investment Advisory Board which meets quarterly. The Board of Light and Power Electric Utility Fund has separate cash management and investing practices apart from all other City funds. The operations of the Light and Power Utility are administered by an elected Board.

The City of Marquette's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Detailed information is presented in Footnote B, which classifies levels of risk for deposits and investments.

Pension Benefits – The City provides retirement benefits to its employees through one of three different plans. The Pension Funded Ratio (PFR) of the Actuarial Accrued Liability measures the progress of the systems in accumulating benefits when due.

Qualified employees of the Fire and Police Departments are included in a single-employer public employee retirement system under the guidelines of Public Act 345 and is accounted for as a Pension Trust Fund. As of December 31, 2007, this plan had a PFR of 98%, up from the December 31, 2006 PFR of 97%.

Qualified Senior and Middle Management employees are included in a defined contribution plan. This plan had no unfunded liabilities as of December 31, 2007.

All other qualified employees are included in an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. As of December 31, 2007, this plan had a PFR of 74%, no change from the PFR of 74% of December 31, 2006.

OTHER INFORMATION

Independent Audit – The City Charter requires an annual audit of the accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant selected by the City Commission. This requirement has been completed and the independent auditor's report has been included in this report.

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marquette, Michigan for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This is the 22nd consecutive year that the City has achieved this prestigious award. In order to be awarded Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


Other awards recently presented to the City include: All American City designation for Marquette County, Cool City designation from the Governor, Governor's Council on Physical Fitness, Health and Sports for Level 3 Promoting Active Communities, Trec City USA from the National Arbor Day Foundation for the past twenty-one consecutive years, Excellence in Storage from the Salt Institute for the last ten consecutive years, USEPA Region 5 Award of Excellence to the Marquette Area Wastewater Treatment Facility in 1996 and 2001, Eminent Conceptor Award and Grand Award from American Consulting Engineers Council for Excellence in Engineering for the Water Filtration Plant in 1998, Honor Award from American Academy of Environmental Engineers for Excellence in

Engineering for the Water Filtration Plant in 1998, Public Awareness Award from Michigan Section AWWA in 1998, One of the best places to live and bike from Bike Magazine, named among The 100 Best Small Art Towns in America, and the Governor's Award for the Arts and Culture Center in 2004.

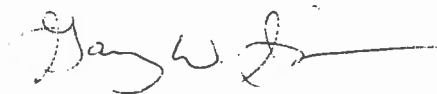
Acknowledgments – Special recognition must be extended to members of the Finance Department who assisted with the development of the Comprehensive Annual Financial Report and annual independent audit. We wish to express our appreciation to all members of the City's departments and the accounting firm of Anderson, Tackman and Company, PLC, who contributed to this preparation.

We would also like to thank the members of the Marquette City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Judy Akkala
City Manager



Gary W. Simpson
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marquette
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



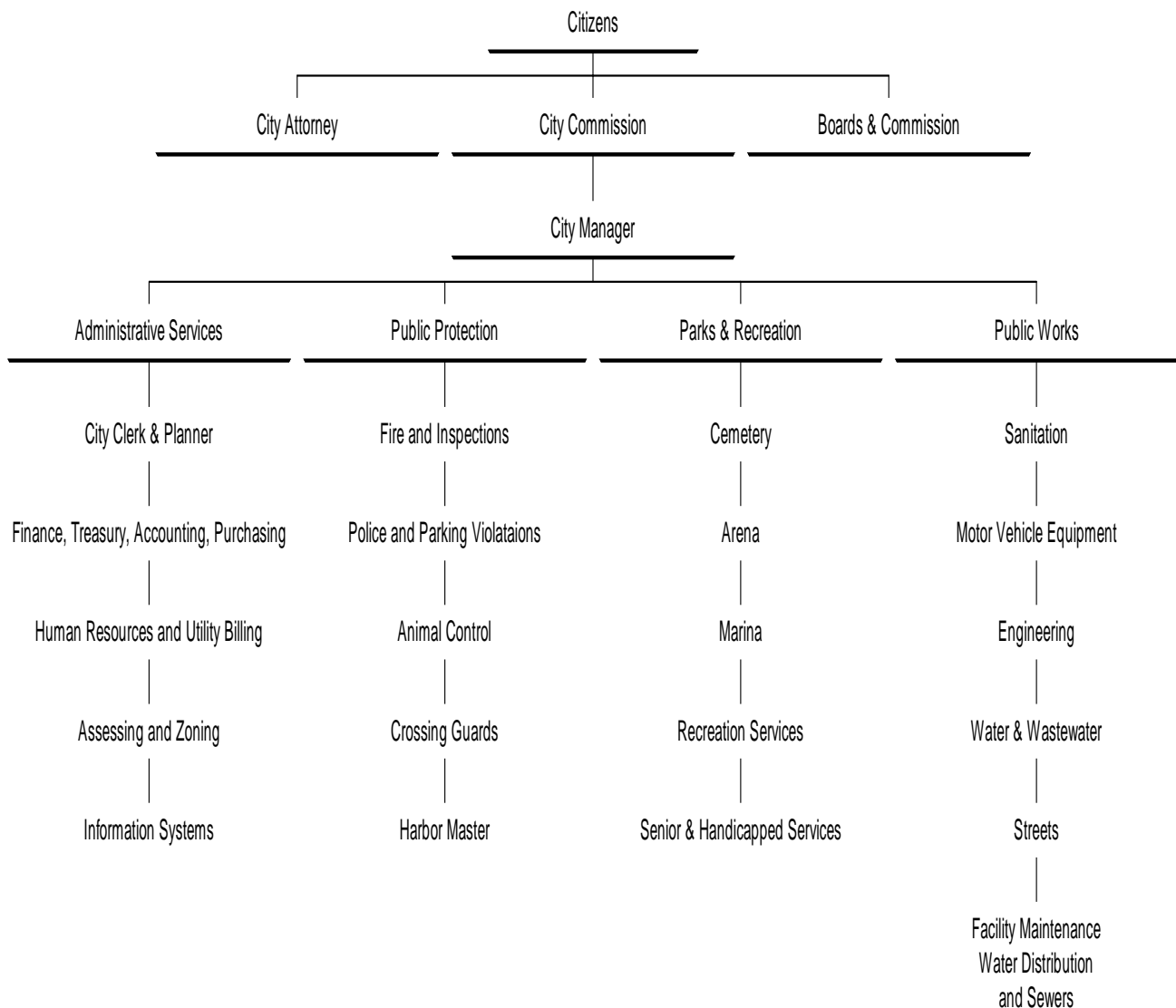
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

City of Marquette Organizational Chart



City of Marquette, Michigan
ADMINISTRATIVE STAFF

City Manager	Judy Akkala
Assistant City Manager	Karl Zueger
City Attorney	Ronald Keefe
Finance Director	Gary Simpson
City Assessor	Susan Maki
City Clerk	David Bleau
City Engineer	Keith Whittington
Assistant City Engineer	Gregory Borzick
City Treasurer	Diane Giddens
Information Services Director	Alan Hawker
Police Chief	Leonard Angeli
Fire Chief	Thomas Belt
Library Director	Pamela Christensen
Light and Power Utility Director	Kirby Juntala
Superintendent of Public Works	Scott Cambensy
Superintendent of Water and Wastewater	Curt Goodman
Human Resources Manager	Susan Bohor
Arts and Center Coordinator	Nicole Nason
City Planner/Zoning Administrator	Dennis Stachewicz
Parks and Recreation Director	Hugh Leslie II



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City
Commission and the City Manager of the
City of Marquette, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison for the General Fund and the Major and Local Street Funds, and the aggregate remaining fund information of the City of Marquette, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City of Marquette, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marquette, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Light and Power, a component unit of the City, which represents 84 percent and 91 percent of the assets and revenues of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Light and Power, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison for the General Fund and the Major and Local Street Funds, and the aggregate remaining fund information of the City of Marquette, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor, Members of the City
Commission and the City Manager of the
City of Marquette, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the City of Marquette, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 23 through 33 and pages 42 through 43, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

November 24, 2008

City of Marquette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Marquette's financial performance provides an overview of the City's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 36.

FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$879,235 as a result of this year's operations. Net assets of our business-type activities increased by \$1,046,100 or 2.86%, and net assets of our governmental activities decreased by \$166,865, or 3.85%.
- During the year, the City had expenses for governmental activities that were \$12,783,632 more than the \$7,450,752 generated in program revenues.
- The City's business-type activities had expenses that were \$749,835 more than the \$7,244,681 generated in program revenues.
- The general fund reported a net change in fund balance of \$1,105,721. This is \$2,380,215 higher than the forecasted decrease of \$(1,274,494).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 36 and 37) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 38. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 25. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, stormwater, and marina activities are reported here.
- *Component units* – The City includes three separate legal entities in its report – the Board of Light and Power, the Peter White Public Library, and the Downtown Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 31. The fund financial statements begin on page 38 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the Motor Vehicle Equipment Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City as Trustee

The City is the trustee, or fiduciary, for its Fire-Police Retirement System pension plan. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 47 and 48. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

Table I provides a summary of the City's net assets as of June 30, 2008 and 2007.

Table 1						
Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 24,535,717	\$ 29,278,891	\$10,451,706	\$ 7,009,824	\$ 34,987,423	\$ 36,288,715
Capital assets, net	<u>51,482,096</u>	<u>46,487,327</u>	<u>42,236,577</u>	<u>42,207,664</u>	<u>93,718,673</u>	<u>88,694,991</u>
Total Assets	<u>76,017,813</u>	<u>75,766,218</u>	<u>52,688,283</u>	<u>49,217,488</u>	<u>128,706,096</u>	<u>124,983,706</u>
Current liabilities	11,265,014	12,619,151	1,870,774	3,642,522	13,135,788	16,261,673
Noncurrent liabilities	<u>21,552,795</u>	<u>19,780,198</u>	<u>13,223,112</u>	<u>9,026,669</u>	<u>34,775,907</u>	<u>28,806,867</u>
Total Liabilities	<u>32,817,809</u>	<u>32,399,349</u>	<u>15,093,886</u>	<u>12,669,191</u>	<u>47,911,695</u>	<u>45,068,540</u>
Net Assets:						
Invested in capital assets, net of related debt	29,085,627	29,731,919	27,663,837	32,100,572	56,749,464	61,832,491
Restricted	585,942	568,371	1,266,493	1,938,968	1,852,435	2,507,339
Unrestricted	<u>13,528,435</u>	<u>13,066,579</u>	<u>8,664,067</u>	<u>2,508,757</u>	<u>22,192,502</u>	<u>15,575,336</u>
Total Net Assets	<u>\$ 43,200,004</u>	<u>\$ 43,366,869</u>	<u>\$ 37,594,397</u>	<u>\$ 36,548,297</u>	<u>\$ 80,794,401</u>	<u>\$ 79,915,166</u>

Net assets of the City's governmental activities stood at \$43,200,004. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$13,528,435.

The \$13,528,435 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$37,594,397. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,821,435	\$4,776,191	\$ 7,226,586	\$7,204,791	\$ 12,048,021	\$ 11,980,982
Operating grants and contributions	2,560,546	2,392,818	18,095	25,057	2,578,641	2,417,875
Capital grants and contributions	68,771	114,702	-	-	68,771	114,702
General revenues:						
Property taxes	10,847,684	9,955,477	-	-	10,847,684	9,955,477
Unrestricted State sources	2,573,077	2,290,677	-	-	2,573,077	2,290,677
Investment earnings	482,029	827,856	61,743	74,054	543,772	901,910
Miscellaneous	432,952	138,306	15,217	3,838	448,169	142,144
Total Revenues	<u>21,786,494</u>	<u>20,496,027</u>	<u>7,321,641</u>	<u>7,307,740</u>	<u>29,108,135</u>	<u>27,803,767</u>
Program Expenses:						
General Government	3,243,609	3,395,398	-	-	3,243,609	3,395,398
Public health and safety	5,246,740	4,948,192	-	-	5,246,740	4,948,192
Public works	3,378,242	3,039,550	-	-	3,378,242	3,039,550
Highways and streets	2,439,873	2,324,977	-	-	2,439,873	2,324,977
Social services	343,338	355,193	-	-	343,338	355,193
Sanitation	1,393,420	1,238,866	-	-	1,393,420	1,238,866
Recreation and culture	1,702,220	1,261,545	-	-	1,702,220	1,261,545
Interest on long-term debt	853,910	750,760	-	-	853,910	750,760
Depreciation - unallocated	1,633,032	1,916,607	-	-	1,633,032	1,916,607
Water supply and sewage disposal	-	-	6,580,392	6,512,473	6,580,392	6,512,473
Stormwater utility	-	-	1,032,765	891,632	1,032,765	891,632
Marina	-	-	381,359	394,386	381,359	394,386
Intermodal transportation terminal	-	-	-	959,368	-	959,368
Total Expenses	<u>20,234,384</u>	<u>19,231,088</u>	<u>7,994,516</u>	<u>8,757,859</u>	<u>28,228,900</u>	<u>27,988,947</u>
Excess (deficiency) before transfers and extraordinary item	1,552,110	1,264,939	(672,875)	(1,450,119)	879,235	(185,180)
Transfers	(1,718,975)	1,551,006	1,718,975	(1,551,006)	-	-
Extraordinary item	-	-	-	-	-	-
Increase (decrease) in net assets	(166,865)	2,815,945	1,046,100	(3,001,125)	879,235	(185,180)
Net assets, beginning	43,366,869	40,550,924	36,548,297	39,549,422	79,915,166	80,100,346
Net Assets, Ending	<u>\$ 43,200,004</u>	<u>\$ 43,366,869</u>	<u>\$ 37,594,397</u>	<u>\$ 36,548,297</u>	<u>\$ 80,794,401</u>	<u>\$ 79,915,166</u>

The City's total revenues were \$29,108,135. The total cost of all programs and services was \$28,228,900 leaving an increase in net assets of \$879,235. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities – Analysis of Individual Funds:

General Fund

The General Fund had revenues (excluding transfers-in) of \$19,031,313, an increase of \$1,326,892, or 7.5%, from the prior fiscal year. This increase is mostly due to the combination of Property Tax revenue increasing by \$620,310, an 8.2% increase, Payments in Lieu of Taxes increasing by \$271,897, an 11.4% increase, State Shared Revenue increasing by \$298,658, a 12.9% increase, and a property sale for \$251,171. Property Tax revenue increased due to an increase in City-wide taxable values of property of 6.6%, an increase in Personal Property Tax collections of 43.6%, and a 26.2% increase in Tax Penalties and Interest. Payments in Lieu of Taxes increased due to higher valuations for the Marquette Board of Light and Power and the Marquette Area Wastewater Treatment Authority due to new construction. State Shared Revenue

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

increased due to a higher pay out from the State Pool for Sales Tax Distribution, a 16.0% increase, and also for Liquor Licenses, a 152.3% increase, which helped to offset a decrease in Fire Protection of State Facilities, a decrease of 27.2%. Other revenues were as follows: Federal and State Grants decreased 32.0% due to lower grant activity compared to the previous fiscal year; Permits, Fees, and Sales, decreased by 3.3% mostly due to lower charges for services performed for other funds by the General Fund. The remaining revenue sources as a group remained consistent with the previous fiscal year.

General Fund expenditures (excluding transfers out) increased \$1,482,898, or 11.2%, from the prior fiscal year. Personnel Services increased \$566,241, or 6.1%, due to increases in fringe benefit rates and scheduled wage increases; Supplies increased \$42,562, or 14.0%; Other Charges increased \$245,000, or 7.1%; Capital Outlay increased \$628,674, or 295.7%; and Debt Service increased \$421, or 0.4%. Expenditures by function were as follows: General Government increased 4.1%; Public Health and Safety increased 6.7%; Public Works and Sanitation increased 22.9%; Social Services increased 6.8%; Recreation and Culture increased 5.5%; and Debt Service increased 0.4%.

The General Government increases were in large part due to increases of 46.5% in Information Systems, 14.5% in City Clerk, and 9.3% in City Hall and Grounds. These increases were expected and budgeted for and were partially offset by decreases in Central Administration, 6.6%, and Insurance and Bonds, 24.5%. Capital Outlay expenditures were the main reason for the increases. In Public Health and Safety, Police increased 7.2% while Fire increased 5.9%. These increases were in large part due to increased Motor Pool charges. The Public Works and Sanitation increase was in large part due to increased Capital Outlay expenditures and contracted trash removal services. The Social Services increase was mostly due to normal increases in personnel services. The Recreation and Culture increase was mostly due to increased Capital Outlay expenditures. The Debt Service increased per the debt service schedule.

Net Other Financing Uses increased 42.8% due to closing out the Intermodal Transportation Fund in the previous year (resulting in a smaller transfer in this fiscal year) and increased Transfers Out of 56.7%.

The total Fund Balance increased \$1,105,721, or 16.8%, from the previous fiscal year while the unreserved portion of the Fund Balance increased \$1,313,217, or 21.1%, mostly due to a new bond issue in the General Fund of \$992,697 and the sale of some City property of \$251,171.

Major and Local Street Funds

The Major Street Fund had revenues increase 25.9% and the Local Street Fund had revenues decrease 0.8% from the previous fiscal year. The Major Street Fund increased due to a grant for the Linear Park Bike Path in the amount of \$354,740 and a small jurisdictional transfer in the amount of \$57,812. Otherwise, revenues decreased 8.1%. The Winter Maintenance allocation decreased 23.6% and the Gas/Weight Tax distribution decreased 7.1%. Most revenues in the Local Street Fund remained consistent with the previous fiscal year, with the Gas/Weight Tax distribution decreasing slightly at 1.7%. Combined, both funds had revenues increase 18.2%. Factoring in the grant and jurisdictional transfer, revenues decreased 6.0%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Major Street Fund had expenditure decreases of 6.9% and the Local Street Fund had expenditures increase 8.5% from the previous fiscal year. The Major Street decrease is attributable to decreased maintenance expenditures on Highways, Streets, and Bridges of 5.6% and decreased construction charged directly to the fund of 17.9%. The Local Street increase is due to an increase in maintenance expenditures on Highways, Streets, and Bridges of 9.4%. Construction charged directly to this fund decreased 35.3%. Combined, both funds had expenditures decrease 1.4%. Maintenance expenditures for Highways, Streets, and Bridges increased 1.2% while construction charged directly to both funds decreased 18.5%

Net Other Financing Sources decreased 317.9% for the Major Street Fund and increased 228.1% for the Local Street Fund. The Major Street Fund decrease is due to a higher Transfer-Out to the Construction Fund and Debt Service Fund while the Local Street Fund increase is due to bond proceeds.

Due to large subsidies from the General Fund, these two funds only carry a fund balance for proceeds from bonds and grants that are awaiting transfer to the Construction Fund.

Lakeview Arena Fund

The Lakeview Arena Fund had revenues decrease \$128,076, or 18.1%, as compared to the previous fiscal year. Use Fees decreased 9.2% and Rentals decreased 70.1%. Rentals decreased due to the decision to allow the YMCA greater use of the facilities in exchange for running the Skateboard Park.

Expenditures in the Lakeview Arena Fund increased \$22,922 or 2.9% from the previous fiscal year. This increase was due in large part to an increase in maintenance expenditures of \$13,161, or 156.3%.

Other Financing Sources for the Lakeview Arena Fund increased \$165,478, or 191.9% from the previous fiscal year. This is due to the Transfer-In from the General Fund being higher this year as a result of the lower operational revenues and higher expenditures in the Lakeview Arena Fund.

The Fund Balance increased \$14,480 or 33.6% from the previous fiscal year.

Capital Projects Fund

Capital construction projects that have funding sources of more than one City accounting fund are accounted for in this single fund. In prior years, projects with multiple accounting fund sources were accounted for in each particular fund thereby making tracking of these projects a difficult process.

For this fiscal year, total project expenditures were \$6,742,427, of which \$3,779,370 (58.1% of expenditures) was funded by transfers-in from other City funds while the remainder was funded from Bond Proceeds.

Major Projects were High Street, Park Street, Washington Street, Fourth Street, Rock Street, and Hampton Street.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt Service Fund

The Debt Service Fund is used for the payments on the outstanding bonds for the Municipal Service Center, the Lakeview Arena, Founders Landing Development, Spring Street Reconstruction, Forestland Development, 2007 Street Improvements, and 2008 High Street Improvements. The Municipal Service Center has \$3,630,000 in outstanding principal remaining, the Lakeview Arena has \$0 in outstanding principal remaining, Founders Landing Development has \$3,330,000 in outstanding principal remaining, Spring Street Reconstruction has \$911,607 in outstanding principal remaining, Forestland Development has \$4,985,000 in outstanding principal remaining, 2007 Street Improvements has \$5,200,000 in outstanding principal remaining, and 2008 High Street Improvements has \$2,733,659 in outstanding principal remaining. Total outstanding principal in this fund is \$20,790,266. The Municipal Service Center is funded by charges to various user City departments while the other outstanding bonds are funded by a transfer from the General Fund and other City funds.

Other Governmental Activity Funds

The two funds, Criminal Justice Training; and Michigan State Housing Development Authority grant (MSHDA) round out the Governmental Activity area. Criminal Justice Training had revenues of \$7,804 and expenditures of \$12,033 leaving a fund balance of \$11,164. MSHDA had combined revenues of \$10,573 and combined expenditures of \$43,204 leaving a combined fund balance of \$12,761.

Table 3 presents the cost of each of the six largest programs – General Government, Public Health and Safety, Public Works, Highways and Streets, Sanitation, and Recreation and Culture – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General government	\$ 3,243,609	\$ 1,919,831
Public health and safety	5,246,740	4,873,516
Public works	3,378,242	2,126,537
Highways and streets	2,439,873	426,425
Sanitation	1,393,420	(77,033)
Recreation and culture	1,702,220	908,694

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Business-type Activities – Analysis of Individual Funds:

Water and Sewer Fund

The combined Water and Sewer Fund had operating revenues of \$6,170,677, an increase of \$107,729, or 1.8%, from the previous fiscal year. Water Rates were increased 4% and Sewer Rates were increased 12%. Water revenues decreased 1.6% while Sewer revenues increased 6.8%. The revenue shortfalls were the result of Water usage for billing purposes decreasing 6.7% and Sewer billing usage decreasing 4.2% from the previous fiscal year.

Operating expenses increased \$25,695, or 0.4%, from the previous fiscal year. Water related expenses increased 20.1%, Sewer related expenses decreased 6.5%, and Administrative expenses decreased 4.5%. The increase in Water related expenses was due to charging all personnel related fringe benefits to the appropriate department rather than charging them all to administration.

Net Non-Operating Revenues increased \$2,957,728, or 218.7% due to a transfer-in from the Construction Fund.

Net Assets increased \$1,538,337, or 5.1%, from the previous fiscal year.

Stormwater Fund

The Stormwater Fund had operating revenues of \$862,805, a decrease of \$5,158, or 0.6%, from the previous fiscal year. Rates were increased 5%.

Operating expenses increased \$149,147, or 17.8%, from the previous fiscal year primarily due to increased Engineering costs.

Net Non-Operating Expenses decreased \$2,357, or 8.9%, from the previous fiscal year due to higher investment income and lower interest expense while despite lower grant revenue.

Net Assets decreased \$391,234, or 8.3%, from the previous fiscal year.

Marina Fund

The Marina Fund had operating revenues of \$268,309, a decrease of \$16,529, or 5.8%, from the previous fiscal year. Sales of Supplies decreased 16.4% while Slip Rentals increased 1%.

Operating Expenses decreased \$11,044, or 3.0%, from the previous fiscal year. This decrease was due to lower Cost of Sales and Supply expenses.

Net Non-Operating Expenses increased \$2,889, or 66.7%, from the previous fiscal year due to lower investment income.

Net Assets decreased \$101,003, or 5.38%, from the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 38) reported a *combined* fund balance of \$10,270,546, a decrease of \$3,949,899 from the beginning of the year. The majority of the decrease was due to construction projects that had been bonded for in prior fiscal years being expended in this fiscal year.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures in the General Fund resulted in a 3.0% increase in the current fiscal year as compared to a 4.7% increase in the prior fiscal year. These increases are mostly due to encumbrance and capital outlay project rollovers from the prior fiscal year. Actual General Fund expenditures were \$1,467,685 below the final amended budget amount in FY 2008. Most of this variance is due to some capital outlay projects which will be carried over to the next fiscal year.

General Fund revenue projections for FY 2008 were above the final budgeted amount by \$936,113 excluding transfers-in. While each revenue source experienced some type of variation from its budget, positive variances in Payments in Lieu of Taxes, State Shared Revenues, Investment Income, and Sale of Property offset the main negative variances in Charges for Services and Grants.

General Fund revenues exceeded expenditures by \$1,105,721 in FY 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008 the City had \$93,718,673 invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and infrastructure. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities 2008	Business-type Activities 2008	Totals 2008
Land and construction in progress	\$ 20,832,364	\$ 899,592	\$ 21,731,956
Land improvements	2,305,226	1,764,702	4,069,928
Buildings and improvements	7,667,811	8,498,884	16,166,695
Equipment and furnishings	3,455,299	2,832,144	6,287,443
Infrastructure	17,221,396	28,241,255	45,462,651
Totals	<u>\$ 51,482,096</u>	<u>\$ 42,236,577</u>	<u>\$ 93,718,673</u>

Further details on capital assets can be found in Note J.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the City had \$36,909,934 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2008	Business-type Activities 2008	Totals 2008
General obligation bonds	\$ 20,964,836	\$ -	\$ 20,964,836
Revenue bonds	-	11,626,341	11,626,341
Contracts and notes payable	1,087,107	3,110,784	4,197,891
Capital lease obligations	-	120,866	120,866
Totals	\$ 22,051,943	\$ 14,857,991	\$ 36,909,934

Further details on long-term debt can be found in Note F.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2009 budget. One of those factors is the economy. The State of Michigan has suffered from an economic downturn over the past several years which has forced the State to deal with its own budgetary shortfalls. These shortfalls tend to trickle down to the local units of government by way of Revenue Sharing payments being reduced by the State. The State has promised not to cut back any further on State Revenue Sharing payments. We will continue to monitor the situation as this has and will continue to greatly impact the City's General Fund budget over the next several years. State Revenue Sharing represents approximately 13% of General Fund revenues.

Property Taxes are another big factor in the City's General Fund budget. Property Taxes are calculated on taxable value. Taxable value growth is capped, by State constitution, at the lower of the rate of inflation or 5%. In the year when property sells, the taxable value is then allowed to be adjusted to reflect actual increases in taxable value and then the capping process starts all over again. It is projected this capping process is costing the City approximately \$1,000,000 per year by not being able to fully realize the true increases in taxable value. So far, it appears the housing bubble that has hit the State rather hard seems to have not had an impact on the City. Some communities in lower Michigan are having to budget for 5% decreases in taxable value due to this bubble. We are still projecting 5% increases for the foreseeable future in taxable value as assessing data continues to support this projection.

Variations in interest rates over the last several years has both benefited and harmed the City's budget. On the benefit side, the City has been able to refund some bond issues and also issue new bonds at favorable interest rates although now those interest rates are starting to climb. On the harmful side, the General Fund had become accustomed to collecting a property tax equivalent of almost 2 mills from investment interest. The current property tax equivalent has dropped to below 1 mill. Just as investment interest rates were starting to trend upward, recent months have seen these rates beginning to nose dive due to global economic uncertainty. This economic uncertainty is also making it more expensive to issue bonds for capital projects in the form of higher interest rates being paid for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

On the expenditure side, the City continues to battle increases in costs for health insurance provided to its employee's. Recent years have seen increases of as high as 25% in this cost. Several strategies have been formed along with several committees in order to deal with this situation. For fiscal year 2008, much needed relief was given in this area as the City's health insurance carrier held the line on premium increases. Hopefully this trend will continue and it continues to be monitored.

Large fluctuations in gasoline and natural gas costs are also on the list of things to carefully monitor. The latter is extremely harmful as the City is located in a cold weather region and is a large user of natural gas for heating City facilities. This could have a large negative impact on current and future budgets as the City struggles to balance its budget and continue to provide the current level of services.

Overall, we are encouraged by Standard & Poor's recent credit upgrade of the City from BBB+ to AA- which reflects upon the City's strong economic development potential. However, the possibility of declining major revenues and increasing expenditures in the General Fund will make for a challenging budget process. City's management is now and will continue to be challenged to stabilize and/or increase current revenue sources and find new ones and to contain expenditures in order to provide our citizens with a balanced budget and still provide the level of services that are demanded.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Office at City of Marquette, 300 West Baraga, Marquette, Michigan, 49855. Additional information about the City may also be found on the City's website at www.mqtcty.org.

City of Marquette, Michigan

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide an overview of the City's financial position and the result of current year's operations and cash flows.

These Basic Financial Statements indicate the classes and funds displayed in subsequent sections of the report and present comprehensive data for assets, liabilities, revenues, transfers, expenses or expenditures and cash flows of the City funds.

City of Marquette, Michigan

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,988,772	\$ 4,425,357	\$ 7,414,129	\$ 10,705,799
Investments	4,043,344	-	4,043,344	807,889
Receivables (net)	13,035,749	1,206,918	14,242,667	2,798,263
Inventory	117,429	162,420	279,849	4,138,356
Prepaid expenses and other assets	7,423	12,962	20,385	172,067
TOTAL CURRENT ASSETS	20,192,717	5,807,657	26,000,374	18,622,374
Noncurrent assets:				
Restricted assets	797,873	1,576,429	2,374,302	2,764,614
Unamortized bond issue costs	-	187,859	187,859	-
Investment in UPPPA	-	-	-	2,187,256
Investment in joint venture	3,545,127	2,879,761	6,424,888	-
Capital assets:				
Land and construction in progress	20,838,251	899,592	21,737,843	114,704
Other capital assets	72,857,233	60,082,484	132,939,717	135,822,090
Accumulated depreciation	(42,213,388)	(18,745,499)	(60,958,887)	(88,561,828)
Total Capital Assets	51,482,096	42,236,577	93,718,673	47,374,966
TOTAL NONCURRENT ASSETS	55,825,096	46,880,626	102,705,722	52,326,836
TOTAL ASSETS	76,017,813	52,688,283	128,706,096	70,949,210
LIABILITIES:				
Current Liabilities:				
Accounts payable	571,918	129,532	701,450	3,883,505
Accrued liabilities	181,609	66,398	248,007	134,976
Unearned revenue	8,464,052	20,332	8,484,384	1,678,759
Compensated absences	727,329	174,342	901,671	870,826
Current portion of bonds payable	1,154,255	416,330	1,570,585	423,571
Current potion of notes and contracts payable	156,319	22,343	178,662	-
Current portion of capital lease obligations	-	120,866	120,866	-
Other current liabilities	9,532	9,676	19,208	1,010,760
Current maturities on revenue bonds	-	910,955	910,955	2,700,000
Revenue bond accrued interest payable	-	-	-	51,300
TOTAL CURRENT LIABILITIES	11,265,014	1,870,774	13,135,788	10,753,697
Noncurrent Liabilities:				
Compensated absences	811,426	-	811,426	104,514
Bonds payable	930,788	10,449,056	11,379,844	2,986,429
Long-term contracts and notes payable	19,810,581	2,938,441	22,749,022	-
Premium on refunding	-	42,517	42,517	-
Deferred amounts on refunding	-	(206,902)	(206,902)	-
Other	-	-	-	1,257,349
TOTAL NONCURRENT LIABILITIES	21,552,795	13,223,112	34,775,907	4,348,292
TOTAL LIABILITIES	32,817,809	15,093,886	47,911,695	15,101,989
NET ASSETS				
Invested in capital assets net of related debt	29,085,627	27,663,837	56,749,464	43,964,966
Restricted for:				
Debt Service	-	1,266,493	1,266,493	1,552
Perpetual Care - Nonexpendable	585,942	-	585,942	-
Other activities	-	-	-	2,997,264
Unrestricted	13,528,435	8,664,067	22,192,502	8,883,439
TOTAL NET ASSETS	\$ 43,200,004	\$ 37,594,397	\$ 80,794,401	\$ 55,847,221

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 3,243,609	\$ 1,218,448	\$ 105,330	\$ -	\$ (1,919,831)	\$ -	\$ (1,919,831)	\$ -
Public health and safety	5,246,740	279,723	93,501	-	(4,873,516)	-	(4,873,516)	-
Public works	3,378,242	1,066,658	123,619	61,428	(2,126,537)	-	(2,126,537)	-
Highway and streets	2,439,873	-	2,013,448	-	(426,425)	-	(426,425)	-
Social services	343,338	-	224,648	-	(118,690)	-	(118,690)	-
Sanitation	1,393,420	1,470,423	-	-	77,003	-	77,003	-
Recreation and culture	1,702,220	786,183	-	7,343	(908,694)	-	(908,694)	-
Interest on long-term debt	853,910	-	-	-	(853,910)	-	(853,910)	-
Depreciation - unallocated	1,633,032	-	-	-	(1,633,032)	-	(1,633,032)	-
Total Governmental Activities	20,234,384	4,821,435	2,560,546	68,771	(12,783,632)	-	(12,783,632)	-
Business Type Activities:								
Water supply and sewage disposal	6,580,392	6,095,472	-	-	-	(484,920)	(484,920)	-
Stormwater utility	1,032,765	862,805	18,095	-	-	(151,865)	(151,865)	-
Marina	381,359	268,309	-	-	-	(113,050)	(113,050)	-
Total Business Type Activities	7,994,516	7,226,586	18,095	-	-	(749,835)	(749,835)	-
TOTAL PRIMARY GOVERNMENT	\$ 28,228,900	\$ 12,048,021	\$ 2,578,641	\$ 68,771	(12,783,632)	(749,835)	(13,533,467)	-
Component Units:								
Board of Light and Power	25,659,637	26,301,669	-	333,387	-	-	-	975,419
Public Library	2,172,352	230,583	545,041	-	-	-	-	(1,396,728)
Downtown Development Authority	458,008	176,268	10,878	-	-	-	-	(270,862)
TOTAL COMPONENT UNITS	\$ 28,289,997	\$ 26,708,520	\$ 555,919	\$ 333,387	-	-	-	(692,171)
General Revenues:								
Taxes:								
Property taxes					8,199,808	-	8,199,808	1,783,984
Payment in lieu of taxes					2,647,876	-	2,647,876	-
Unrestricted State sources					2,573,077	-	2,573,077	-
Interest and investment earnings					482,029	61,743	543,772	780,326
Miscellaneous					432,952	15,217	448,169	39,604
Transfers					(1,718,975)	1,718,975	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					12,616,767	1,795,935	14,412,702	2,603,914
CHANGE IN NET ASSETS					(166,865)	1,046,100	879,235	1,911,743
Net assets, beginning of year					43,366,869	36,548,297	79,915,166	53,935,478
NET ASSETS, END OF YEAR					\$ 43,200,004	\$ 37,594,397	\$ 80,794,401	\$ 55,847,221

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	Major Street and Trunkline Fund	Local Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 592,485	\$ 762,967	\$ 708,231	\$ 241,150	\$ 432,708	\$ 2,737,541
Investments	3,511,969	-	-	-	531,375	4,043,344
Taxes receivable, net	8,267,547	-	-	-	-	8,267,547
Special assessments receivable	195,033	-	-	-	-	195,033
Accounts receivable, net	201,539	-	501	108,103	15,864	326,007
Due from other authorities	3,374,587	-	-	-	-	3,374,587
Due from component units	117,442	-	-	-	-	117,442
Due from other funds	166,787	-	-	-	-	166,787
Due from other governments	523,774	175,428	54,741	-	-	753,943
Inventory	81,235	-	-	-	-	81,235
Prepaid expenditures	7,423	-	-	-	-	7,423
TOTAL ASSETS	\$ 17,039,821	\$ 938,395	\$ 763,473	\$ 349,253	\$ 979,947	\$ 20,070,889
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 274,651	\$ 8,641	\$ 10,500	\$ 241,150	\$ 14,403	\$ 549,345
Accrued compensated absences	610,627	-	-	-	-	610,627
Due to other funds	-	166,787	-	-	-	166,787
Due to State	2,906	-	-	-	-	2,906
Due to other local units	6,626	-	-	-	-	6,626
Deferred revenue	8,464,052	-	-	-	-	8,464,052
TOTAL LIABILITIES	9,358,862	175,428	10,500	241,150	14,403	9,800,343
FUND BALANCE:						
Reserved for:						
Capital outlay	-	-	-	-	45,036	45,036
Encumbrances	66,765	-	-	-	-	66,765
Debt Service	-	-	-	-	298,078	298,078
Other prepaids and inventories	88,658	-	-	-	585,942	674,600
Unreserved, reported in:						
General Fund	7,525,536	-	-	-	-	7,525,536
Special Revenue Funds	-	762,967	752,973	108,103	36,488	1,660,531
TOTAL FUND BALANCE	7,680,959	762,967	752,973	108,103	965,544	10,270,546
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,039,821	\$ 938,395	\$ 763,473	\$ 349,253	\$ 979,947	\$ 20,070,889

City of Marquette, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total Fund Balances for Governmental Funds \$ 10,270,546

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities and investments in joint ventures are not financial resources and therefore are not reported in the funds (includes capital assets of internal service funds). 55,027,223

Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Service Center, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

Current assets	\$ 288,615	
Restricted assets	797,873	
Long-term receivables	-	
Current liabilities	<u>(139,275)</u>	947,213

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 1,154,255	
Current portion of notes and contracts payable	156,319	
Accrued interest on bonds	181,609	
Compensated absences	811,426	
Bonds payable	930,788	
Long-term contracts and notes payable	<u>19,810,581</u>	(23,044,978)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 43,200,004

City of Marquette, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	General Fund	Major Street and Trunkline Fund	Local Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes and penalties	\$ 8,199,808	\$ -	\$ -	\$ -	\$ -	\$ 8,199,808
State sources	2,651,446	1,526,293	487,155	-	7,587	4,672,481
Federal sources	195,810	-	-	-	-	195,810
Charges for services	3,333,166	-	-	-	20,169	3,353,335
Sales	24,509	-	-	-	137,840	162,349
Use and admission fees	214,127	-	-	-	408,273	622,400
Rentals	53,372	-	-	-	30,404	83,776
Licenses and permits	33,354	-	-	-	-	33,354
Fines and forfeiture	143,942	-	-	-	-	143,942
Sale of assets	251,171	-	-	-	-	251,171
Reimbursements	268,727	-	-	-	-	268,727
Investment income	402,146	-	-	80,916	19,862	502,924
Payment in lieu of taxes	2,647,876	-	-	-	-	2,647,876
Private contribution	103,756	-	-	-	-	103,756
Intergovernmental revenue	205,282	-	-	-	-	205,282
Special assessments	61,428	-	-	-	-	61,428
Other	241,393	-	-	4,253	11,962	257,608
TOTAL REVENUES	19,031,313	1,526,293	487,155	85,169	636,097	21,766,027
EXPENDITURES:						
Current operations:						
General government	3,277,349	-	-	-	-	3,277,349
Public health and safety	5,281,850	-	-	-	12,033	5,293,883
Public works	3,816,279	-	-	-	-	3,816,279
Highway and streets	-	1,168,856	1,124,177	-	-	2,293,033
Social services	298,759	-	-	-	43,204	341,963
Sanitation	1,425,630	-	-	-	-	1,425,630
Recreation and culture	559,792	-	-	-	817,835	1,377,627
Capital outlay	-	290,976	8,804	6,742,427	-	7,042,207
Debt service						
Principal retirement	89,486	320,530	34,470	-	992,873	1,437,359
Interest and fiscal charges	14,424	23,582	2,536	-	865,606	906,148
TOTAL EXPENDITURES	14,763,569	1,803,944	1,169,987	6,742,427	2,731,551	27,211,478
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,267,744	(277,651)	(682,832)	(6,657,258)	(2,095,454)	(5,445,451)
OTHER FINANCING SOURCES (USES):						
Bond issuance	992,697	846,135	894,828	475,574	-	3,209,234
Transfers in	19,549	618,897	1,026,295	3,779,370	2,278,576	7,722,687
Transfers (out)	(4,174,269)	(2,795,621)	(485,318)	(1,961,612)	(19,549)	(9,436,369)
TOTAL OTHER FINANCING SOURCES (USES)	(3,162,023)	(1,330,589)	1,435,805	2,293,332	2,259,027	1,495,552
CHANGE IN FUND BALANCE	1,105,721	(1,608,240)	752,973	(4,363,926)	163,573	(3,949,899)
Fund balance, beginning of year	6,575,238	2,371,207	-	4,472,029	801,971	14,220,445
FUND BALANCE, END OF YEAR	\$ 7,680,959	\$ 762,967	\$ 752,973	\$ 108,103	\$ 965,544	\$ 10,270,546

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (3,949,899)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Includes Internal Service Funds depreciation expense of \$717,001.

Capital outlays	\$ 7,443,320	
Depreciation expense	(3,025,029)	
Net book value of disposed assets	<u>(82,544)</u>	
		4,335,747

Investments in joint ventures is reported on entity wide statements but not in individual governmental funds. Changes in value of investments in joint ventures does not appear in governmental funds.	20,467
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,437,359
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Proceeds from debt issues are an other financing source in the fund, but a debt issue increases long-term liabilities in the statement of net assets.	(3,209,234)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	52,240
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	126,267
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Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Service Center, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.

Change in net assets	303,187	
Depreciation expense	<u>717,001</u>	
		1,020,188

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (166,865)</u></u>
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City of Marquette, Michigan

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Property taxes	\$ 7,663,076	\$ 8,220,995	\$ 8,199,808	\$ (21,187)
Federal grants	140,000	243,015	195,810	(47,205)
State grants and shared revenues	2,317,656	2,388,325	2,651,446	263,121
Intergovernmental revenues	154,153	172,945	205,282	32,337
Licenses and permits	37,012	28,415	33,354	4,939
Charges for services	4,144,506	3,407,825	3,333,166	(74,659)
Fines and forfeits	92,750	88,500	143,942	55,442
Interest and rentals	279,488	79,685	455,518	375,833
Other revenues	2,533,127	3,465,495	3,812,987	347,492
TOTAL REVENUES	17,361,768	18,095,200	19,031,313	936,113
EXPENDITURES:				
General government	3,070,940	3,630,151	3,277,349	352,802
Public health and safety	5,144,677	5,288,325	5,281,850	6,475
Public works	3,321,756	3,880,431	3,816,279	64,152
Sanitation	1,557,600	1,426,345	1,425,630	715
Social services	351,714	314,331	298,759	15,572
Recreation and culture	522,490	1,587,521	559,792	1,027,729
Special assessments	-	-	-	-
Debt service	103,500	104,150	103,910	240
TOTAL EXPENDITURES	14,072,677	16,231,254	14,763,569	1,467,685
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,289,091	1,863,946	4,267,744	2,403,798
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	925,500	992,697	67,197
Transfers in	-	320,000	19,549	(300,451)
Transfers (out)	(3,289,091)	(4,383,940)	(4,174,269)	209,671
TOTAL OTHER FINANCING SOURCES (USES)	(3,289,091)	(3,138,440)	(3,162,023)	(23,583)
CHANGE IN FUND BALANCE	-	(1,274,494)	1,105,721	2,380,215
Fund balance, beginning of year	6,575,238	6,575,238	6,575,238	-
FUND BALANCE, END OF YEAR	\$ 6,575,238	\$ 5,300,744	\$ 7,680,959	\$ 2,380,215

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

MAJOR SPECIAL REVENUE FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	MAJOR STREET FUND				LOCAL STREET FUND			
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Federal and State sources	\$ 3,761,577	\$ 2,079,045	\$ 1,526,293	\$ (552,752)	\$ 704,384	\$ 515,000	\$ 487,155	\$ (27,845)
TOTAL REVENUES	<u>3,761,577</u>	<u>2,079,045</u>	<u>1,526,293</u>	<u>(552,752)</u>	<u>704,384</u>	<u>515,000</u>	<u>487,155</u>	<u>(27,845)</u>
EXPENDITURES:								
Highways, Streets and Bridges	1,560,480	2,392,195	1,459,832	932,363	1,189,544	1,172,225	1,132,981	39,244
Debt Service	345,020	344,115	344,112	3	37,120	37,015	37,006	9
TOTAL EXPENDITURES	<u>1,905,500</u>	<u>2,736,310</u>	<u>1,803,944</u>	<u>932,366</u>	<u>1,226,664</u>	<u>1,209,240</u>	<u>1,169,987</u>	<u>39,253</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,856,077</u>	<u>(657,265)</u>	<u>(277,651)</u>	<u>379,614</u>	<u>(522,280)</u>	<u>(694,240)</u>	<u>(682,832)</u>	<u>11,408</u>
OTHER FINANCING SOURCES (USES) :								
Issuance of debt	-	940,000	846,135	(93,865)	-	1,048,340	894,828	(153,512)
Transfers in	757,873	672,015	618,897	(53,118)	1,250,428	601,070	1,026,295	425,225
Transfers (out)	(2,613,950)	(954,750)	(2,795,621)	(1,840,871)	(728,148)	(955,170)	(485,318)	469,852
TOTAL OTHER FINANCING SOURCES	<u>(1,856,077)</u>	<u>657,265</u>	<u>(1,330,589)</u>	<u>(1,987,854)</u>	<u>522,280</u>	<u>694,240</u>	<u>1,435,805</u>	<u>741,565</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(1,608,240)</u>	<u>(1,608,240)</u>	<u>-</u>	<u>-</u>	<u>752,973</u>	<u>752,973</u>
Fund balance, beginning of year	2,371,207	2,371,207	2,371,207	-	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ 2,371,207</u>	<u>\$ 2,371,207</u>	<u>\$ 762,967</u>	<u>\$ (1,608,240)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752,973</u>	<u>\$ 752,973</u>

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2008

	Business- Type Activities: Enterprise Funds				Governmental Activities
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Fund	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 3,079,661	\$ 1,335,188	\$ 10,508	\$ 4,425,357	\$ 251,231
Special assessments receivable	20,332	-	-	20,332	-
Accounts receivable, net	1,141,775	44,614	197	1,186,586	-
Due from local units	-	-	-	-	1,190
Inventory	145,459	-	16,961	162,420	36,194
Delinquent utility bills on taxes	12,962	-	-	12,962	-
TOTAL CURRENT ASSETS	4,400,189	1,379,802	27,666	5,807,657	288,615
Noncurrent Assets:					
Restricted Assets:					
Bond reserve fund	132,000	48,737	46,000	226,737	-
Replacement and maintenance fund	390,000	-	-	390,000	681,171
Bond and interest redemption fund	37,088	-	89,594	126,682	-
Water filtration reserve	503,830	-	-	503,830	-
Bond escrow fund	120,866	33,972	-	154,838	-
Vacation, sick leave and benefit reserve	166,965	7,377	-	174,342	116,702
Total Restricted Assets	1,350,749	90,086	135,594	1,576,429	797,873
Unamortized bond issuance costs	139,297	43,277	5,285	187,859	-
Investment in joint venture	2,879,761	-	-	2,879,761	-
Land and land improvements	-	-	-	-	251,454
Property, plant, and equipment	49,425,318	6,882,569	3,774,597	60,082,484	15,931,333
Accumulated depreciation	(15,256,937)	(1,779,879)	(1,708,683)	(18,745,499)	(9,499,747)
Construction in progress	899,592	-	-	899,592	-
TOTAL NONCURRENT ASSETS	39,437,780	5,236,053	2,206,793	46,880,626	7,480,913
TOTAL ASSETS	43,837,969	6,615,855	2,234,459	52,688,283	7,769,528
LIABILITIES					
Current Liabilities:					
Accounts payable	122,840	484	6,208	129,532	22,573
Accrued compensated absences	166,965	7,377	-	174,342	116,702
Customer deposits payable	234	-	9,442	9,676	-
Accrued interest payable	54,171	9,623	2,604	66,398	-
Current portion of long-term debt	143,209	341,330	75,000	559,539	-
Deferred revenue	20,332	-	-	20,332	-
Current maturities on revenue bonds	910,955	-	-	910,955	-
TOTAL CURRENT LIABILITIES	1,418,706	358,814	93,254	1,870,774	139,275
Noncurrent Liabilities:					
Bonds payable	8,157,001	1,907,055	385,000	10,449,056	-
Notes payable	48,441	-	-	48,441	-
Loan payable	2,890,000	-	-	2,890,000	-
Premium on refunding	42,517	-	-	42,517	-
Deferred amounts on refunding	(186,800)	-	(20,102)	(206,902)	-
TOTAL NONCURRENT LIABILITIES	10,951,159	1,907,055	364,898	13,223,112	-
TOTAL LIABILITIES	12,369,865	2,265,869	458,152	15,093,886	139,275
NET ASSETS					
Invested in capital assets net of related debt	23,183,516	2,854,305	1,626,016	27,663,837	6,683,040
Net Assets:					
Restricted for debt service	1,183,784	82,709	-	1,266,493	-
Unrestricted	7,100,804	1,412,972	150,291	8,664,067	947,213
TOTAL NET ASSETS	\$ 31,468,104	\$ 4,349,986	\$ 1,776,307	\$ 37,594,397	\$ 7,630,253

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2008

	Business- Type Activities: Enterprise Funds			Governmental Activities
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Fund	Internal Service Funds
			Total	
OPERATING REVENUES:				
Water sales	\$ 3,399,431	\$ -	\$ -	\$ 3,399,431
Sewage disposal	2,610,365	-	-	2,610,365
Charges for services	-	862,805	554	863,359
Other operating revenue	160,881	-	267,755	428,636
TOTAL OPERATING REVENUES	6,170,677	862,805	268,309	7,301,791
OPERATING EXPENSES:				
General and administrative	727,782	-	227,788	955,570
Water treatment and distribution	1,676,733	-	-	1,676,733
Sanitary sewer operation and booster stations	1,789,946	-	-	1,789,946
Stormwater	-	712,830	-	712,830
Payments in lieu of taxes	894,050	-	-	894,050
Depreciation	1,149,367	274,699	134,304	1,558,370
Vehicle operating expenses	-	-	-	-
TOTAL OPERATING EXPENSES	6,237,878	987,529	362,092	7,587,499
OPERATING INCOME (LOSS)	(67,201)	(124,724)	(93,783)	(285,708)
NONOPERATING REVENUES (EXPENSES):				
Investment income	40,401	9,295	12,047	61,743
Sale of equipment (non-capital asset)	8,106	-	-	8,106
Interest expense	(335,403)	(45,236)	(19,267)	(399,906)
Sale of capital assets	-	-	-	-
State and Federal grants	6,027	12,068	-	18,095
Loss on sale of capital assets	-	-	-	-
Operating income (loss) from Marquette Area Wastewater Treatment Facility	(75,205)	-	-	(75,205)
TOTAL NONOPERATING REVENUES (EXPENSES)	(356,074)	(23,873)	(7,220)	(387,167)
INCOME (LOSS) BEFORE TRANSFERS	(423,275)	(148,597)	(101,003)	(672,875)
Transfers in	1,961,612	-	-	1,961,612
Transfers (out)	-	(242,637)	-	(242,637)
CHANGE IN NET ASSETS	1,538,337	(391,234)	(101,003)	1,046,100
Net assets, beginning of year	29,929,767	4,741,220	1,877,310	36,548,297
NET ASSETS, END OF YEAR	\$ 31,468,104	\$ 4,349,986	\$ 1,776,307	\$ 37,594,397

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

	Business-Type Activities: Enterprise Funds				Governmental Activities
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from fees and charges for services	\$ 6,066,915	\$ 803,750	\$ 266,564	\$ 7,137,229	\$ 3,115,506
Other operating revenues	158,599	-	2,629	161,228	73,921
Cash payments to employees for services	(1,333,917)	(194,270)	(63,027)	(1,591,214)	(627,063)
Cash payments to suppliers for goods and services	(3,897,520)	(418,168)	(168,797)	(4,484,485)	(1,589,730)
NET CASH PROVIDED BY OPERATING ACTIVITIES	994,077	191,312	37,369	1,222,758	972,634
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in (out)	1,961,612	(242,637)	-	1,718,975	(5,293)
Cash outflow - overdraft	(364,288)	(53,249)	(35,217)	(452,754)	(286,987)
(Decrease) in due to local units	-	-	-	-	348
Reimbursements and sales of non-capital assets	15,217	-	-	15,217	-
State and Federal grants	6,027	12,068	-	18,095	-
Increase (Decrease) in due to other funds	(1,129,938)	(150,140)	(142,256)	(1,422,334)	(3,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	488,630	(433,958)	(177,473)	(122,801)	(294,932)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash payments for capital assets	(1,580,196)	(7,088)	-	(1,587,284)	(695,124)
Interest paid on bonds	(313,212)	(45,236)	(15,916)	(374,364)	-
Principal payments on bonds and other long-term debt	(997,101)	(255,000)	(70,000)	(1,322,101)	-
Cash payments for bond issuance expenses	(52,349)	(22,270)	-	(74,619)	-
Proceeds from issuance of bonds	3,957,956	1,683,385	-	5,641,341	-
Net proceeds from sale of capital assets	-	-	-	-	20,413
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,015,098	1,353,791	(85,916)	2,282,973	(674,711)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	40,401	9,295	12,047	61,743	26,762
(Increase) decrease in restricted assets:					
Bond reserve fund	(81,935)	210,938	-	129,003	-
Bond interest redemption fund	(1,200)	-	-	(1,200)	-
Equipment reserve fund	-	-	-	-	(22,052)
Water filtration revenue	610,944	-	-	610,944	-
Bond escrow fund	(70,948)	4,676	-	(66,272)	-
Vacation and sick leave reserve	(15,406)	(866)	-	(16,272)	(11,809)
Marina bonds	-	-	224,481	224,481	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	481,856	224,043	236,528	942,427	(7,099)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	2,979,661	1,335,188	10,508	4,325,357	(4,108)
Cash and cash equivalents, beginning of year	100,000	-	-	100,000	255,339
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,079,661	\$ 1,335,188	\$ 10,508	\$ 4,425,357	\$ 251,231
Noncash Investing, Capital and Financing Activities:					
Net depreciation in fair value of investments	\$ (13,691)	\$ (7,763)	\$ -	\$ (21,454)	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (74,312)	\$ (124,724)	\$ (93,783)	\$ (292,819)	\$ 297,407
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,149,367	274,699	134,304	1,558,370	717,001
Amortization	10,670	10,503	881	22,054	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	60,915	26,591	884	88,390	942
Decrease in special assessments receivable	3,639	-	-	3,639	-
(Increase) decrease in inventory	(10,503)	-	-	(10,503)	-
Decrease in customer deposits	-	-	-	-	(5,071)
(Increase) in delinquent utility bills on taxes	(6,078)	-	-	(6,078)	-
Decrease (increase) in prepaid expenses	4,206	179	319	4,704	2,621
Increase in customer deposits payable	309	-	181	490	-
Increase (decrease) in accounts payable	(174,807)	(1,039)	(4,921)	(180,767)	(52,075)
Increase (decrease) in accrued sick and vacation	15,406	866	-	16,272	11,809
Increase (decrease) in accrued interest	18,904	4,237	(496)	22,645	-
(Decrease) in deferred revenue	(3,639)	-	-	(3,639)	-
NET ADJUSTMENTS	1,068,389	316,036	131,152	1,515,577	675,227
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 994,077	\$ 191,312	\$ 37,369	\$ 1,222,758	\$ 972,634

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Private- Purpose Trust Funds	Pension Trust Funds	Agency Funds
ASSETS			
Cash and equivalents	\$ 613,432	\$ 2,673,929	\$ 2,585,870
Investments:			
United States Government Securities	-	1,264,668	-
Domestic Corporation Bonds	-	3,391,643	-
Common, Pooled Fund	-	19,497,833	-
Government National Mortgage Association	-	924	-
Taxes receivable	-	-	-
Accrued interest receivable	-	68,915	31,163
Due from other governments	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>613,432</u>	<u>26,897,912</u>	<u><u>\$ 2,617,033</u></u>
LIABILITIES			
Accounts payable	660	-	\$ -
Contract retainage payable	-	-	861,958
Accrued wages and related liabilities	-	-	1,335,236
Due to other governments	-	-	6,585
Due to State	-	-	6,449
Due to local units	-	-	401,426
Other liabilities	-	-	5,379
TOTAL LIABILITIES	<u>660</u>	<u>-</u>	<u><u>\$ 2,617,033</u></u>
NET ASSETS			
Held in trust for pension benefits	-	26,897,912	
Held in trust for individuals, organizations, and other governments	<u>612,772</u>	<u>-</u>	
TOTAL NET ASSETS	<u><u>\$ 612,772</u></u>	<u><u>\$ 26,897,912</u></u>	

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Fiscal Year Ended June 30, 2008

	Private- Purpose Trust Funds	Pension Trust Funds
ADDITIONS:		
Contributions:		
Employer	\$ -	\$ 587,824
Employee	-	136,263
Gifts, bequests and endowments	101,037	-
	<hr/>	<hr/>
Total Contributions	101,037	724,087
	<hr/>	<hr/>
Investment Income:		
Net depreciation in fair value of investments	-	(737,047)
Interest and dividends	-	804,549
Investment expense	-	(208,010)
	<hr/>	<hr/>
Net Investment Income (Loss)	-	(140,508)
	<hr/>	<hr/>
TOTAL ADDITIONS (DEDUCTIONS)	101,037	583,579
	<hr/>	<hr/>
DEDUCTIONS:		
Benefits, annuity withdrawals, and refunds	-	1,491,501
Administrative expenses	-	10,925
Payments in accordance with trust agreements	77,751	-
	<hr/>	<hr/>
TOTAL DEDUCTIONS	77,751	1,502,426
	<hr/>	<hr/>
CHANGE IN NET ASSETS	23,286	(918,847)
	<hr/>	<hr/>
Net assets, beginning of year	589,486	27,816,759
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 612,772	\$ 26,897,912
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF NET ASSETS

June 30, 2008

	Board of Light and Power	Peter White Public Library	Nonmajor Component Unit	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 10,274,365	\$ 174,556	\$ 256,878	\$ 10,705,799
Investments	-	807,889	-	807,889
Receivables, net	1,038,496	1,095,888	663,879	2,798,263
Inventory	4,138,356	-	-	4,138,356
Prepaid expenses and other assets	172,067	-	-	172,067
TOTAL CURRENT ASSETS	15,623,284	2,078,333	920,757	18,622,374
Noncurrent Assets:				
Restricted Assets	2,764,614	-	-	2,764,614
Unamortized bond issuance costs	-	-	-	-
Investment in UPPPA	2,187,256	-	-	2,187,256
Capital assets:				
Land	-	114,704	-	114,704
Other capital assets	121,703,038	11,080,564	3,038,488	135,822,090
Accumulated depreciation	(82,459,907)	(5,650,592)	(451,329)	(88,561,828)
Total Capital Assets	39,243,131	5,544,676	2,587,159	47,374,966
TOTAL NONCURRENT ASSETS	44,195,001	5,544,676	2,587,159	52,326,836
TOTAL ASSETS	59,818,285	7,623,009	3,507,916	70,949,210
LIABILITIES				
Current Liabilities:				
Accounts payable	3,635,492	18,635	229,378	3,883,505
Accrued liabilities	131,095	-	3,881	134,976
Unearned revenue	-	1,086,134	592,625	1,678,759
Compensated absences	870,826	-	-	870,826
Customer deposits payable	970,760	-	-	970,760
Current portion of bonds payable	-	245,000	178,571	423,571
Current portion of notes and contracts payable	-	-	-	-
Other current liabilities	40,000	-	-	40,000
Current Liabilities (payable from restricted assets):				
Current maturities on revenue bonds	2,700,000	-	-	2,700,000
Revenue bond accrued interest payable	51,300	-	-	51,300
Total Current Liabilities (payable from restricted assets)	2,751,300	-	-	2,751,300
TOTAL CURRENT LIABILITIES	8,399,473	1,349,769	1,004,455	10,753,697
Noncurrent Liabilities:				
Compensated absences	-	104,514	-	104,514
Bonds payable	-	2,665,000	321,429	2,986,429
Other	1,257,349	-	-	1,257,349
TOTAL NONCURRENT LIABILITIES	1,257,349	2,769,514	321,429	4,348,292
TOTAL LIABILITIES	9,656,822	4,119,283	1,325,884	15,101,989
NET ASSETS				
Invested in capital assets net of related debt	39,243,131	2,634,676	2,087,159	43,964,966
Restricted:	-			
Debt Service	-	1,552	-	1,552
Other activities	2,211,314	785,950	-	2,997,264
Unrestricted	8,707,018	81,548	94,873	8,883,439
TOTAL NET ASSETS	\$ 50,161,463	\$ 3,503,726	\$ 2,182,032	\$ 55,847,221

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Power and Light	Peter White Public Library	Nonmajor Component Units	Total
Board of Light and Power Operations	\$ 25,659,637	\$ 26,301,669	\$ -	\$ 333,387	\$ 975,419	\$ -	\$ -	975,419
Peter White Public Library Recreation and culture	2,172,352	230,583	545,041	-	-	(1,396,728)	-	(1,396,728)
Nonmajor Component Unit Operations	458,008	176,268	10,878	-	-	-	(270,862)	(270,862)
TOTAL COMPONENT UNITS	\$ 28,289,997	\$ 26,708,520	\$ 555,919	\$ 333,387	975,419	(1,396,728)	(270,862)	(692,171)
General Revenues:								
Property taxes					-	1,073,124	710,860	1,783,984
Interest and investment earnings					774,988	(5,754)	11,092	780,326
Miscellaneous					30,738	7,803	1,063	39,604
Extraordinary item					-	-	-	-
TOTAL GENERAL REVENUES					805,726	1,075,173	723,015	2,603,914
CHANGE IN NET ASSETS					1,781,145	(321,555)	452,153	1,911,743
Net assets, beginning of year					48,380,318	3,825,281	1,729,879	53,935,478
NET ASSETS, END OF YEAR					\$ 50,161,463	\$ 3,503,726	\$ 2,182,032	\$ 55,847,221

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marquette, Michigan was incorporated February 27, 1871, under the provision of Act 279, PS 1909, as amended (Home Rule City Act). The City operates under a Commissioner – Manager form of government and the services provided to the citizens include: legislative, executive, elections, general services, public safety and fire protection, inspection, public works, sanitation, parking systems, social services, parks and recreation, cultural, conservation of natural resources, planning and other functions. In addition, the City operates three enterprise funds and two internal service funds, which provide water and sewer services, marina services, stormwater management, transportation rental and building rental.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the City are described below.

(1) REPORTING ENTITY

The City's financial statements present the City (the primary government) and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the city may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement #14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the city. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year-end.

Fire and Police Retirement System – The City of Marquette is the administrator of a single-employer public employee retirement system established and administered by the City to provide pension benefits for the Fire and Police Department employees. The Fire and Police Retirement System is considered part of the City of Marquette financial reporting entity and is included in the City's financial report as a pension trust fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BLENDED COMPONENT UNITS

City of Marquette Building Authority – The City of Marquette Building Authority’s governing body consists of the City Manager, Finance Director, and City Attorney which are appointed by the governing board of the reporting entity. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City’s public buildings. The reporting entity has guaranteed the debt issues of the Authority.

DISCRETELY PRESENTED COMPONENT UNITS

Proprietary Fund Type

City of Marquette Board of Light and Power – The Board of Light and Power’s operating results are held accountable to the government’s governing body. The rates for user charges and debt issuance authorizations are approved by the government’s governing body. The reporting entity has the responsibility to fund deficits and operating deficiencies. Prior to 1993-94, this entity had been blended with and included in the City’s reporting entity as an enterprise fund.

A complete financial statement of the component unit can be obtained directly from the administrative office.

City of Marquette Board of Light and Power
2200 Wright Street
Marquette, MI 49855

Governmental Fund Type

City of Marquette Downtown Development Authority – The Downtown Development Authority’s governing board is appointed by the City’s Mayor with the confirmation of the Commission and includes the City Manager of the reporting entity. The reporting entity has the responsibility to fund deficits and operating deficiencies, as well as a guarantee for any debt the Authority issues.

Separate financial statements for the City of Marquette Downtown Development Authority are not developed; however, information can be obtained from the City’s Finance Department upon request, located at 300 West Baraga Avenue, Marquette, Michigan 49855.

Peter White Public Library – The Peter White Public Library’s governing body is appointed by the City’s Mayor with the confirmation of the Commission. The reporting entity has the responsibility to fund deficits and operating deficiencies.

Separately issued financial statements of the Peter White Public Library component unit can be obtained from the City’s Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GASB Statement No. 14 requires reasonable separation between the Primary Government (including its blended component units) and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

JOINT VENTURES

As defined in GASB Statement No. 14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint ventures:

Marquette Area Wastewater Treatment Facility – The Marquette Area Wastewater Treatment Facility’s governing board includes joint representation as appointed by the participating governments’ governing bodies. As enumerated in Footnote D, the facility is being accounted for as an equity investment within the reporting entity.

Marquette County Solid Waste Management Authority – The Marquette County Solid Waste Management Authority’s governing board includes joint representation as appointed by the participating governments’ governing bodies. The reporting entity’s representation consists of two of seven members and does not constitute enough representation to exert significant influence over the Authority’s operations. The Authority selects the management staff, sets user charges and budgets, and controls all aspects of its operations and developments. The reporting entity provided its proportionate share of the initial funding and has guaranteed its proportional share of the Authority’s outstanding debt.

RELATED ORGANIZATIONS

Marquette Housing Commission – The Marquette Housing Commission was created to provide low-income housing for the City residents. The Marquette Housing Commission’s governing board is appointed by the City Mayor with the confirmation of the commission; however, the City does not provide any financial assistance to the Housing Commission. Management of the Housing Commission is not designated by the City nor does the City have the ability to significantly influence operations. The City does not subsidize the operations of the Housing Commission and does not guarantee its debt service. The Marquette Housing Commission has not been included as a component unit of the City’s reporting entity because there is no accountability for fiscal matters to the City.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Summary financial information as of and for the fiscal year ended September 30, 2007, the latest available report, is as follows:

Total Assets	\$ 5,273,277
Total Liabilities	1,175,902
Total Net Assets	4,097,375
Total Operating Revenues	1,385,287
Total Operating Expenses	1,694,050
Total Non-Operating Revenues (Expenses)	408,854
Net Increase (Decrease) in Net Assets	100,091

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorized primary activities as either governmental or business-type. The City's public health and safety, public works, highways and streets, sanitation, social services, recreation and culture, and general government services are classified as governmental activities. The City's water, sewer, stormwater and marina services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The City allocates indirect costs through an administrative service fee that is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology, etc.)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Component Units – Component Units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Internal Service Funds – Internal Service Funds are used to finance, administer and account for the financing of equipment and building purchases and maintenance services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

Component Units – Component Units are used to account for the discretely presented component units which follow proprietary fund accounting guidelines.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34. sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street and Trunkline Fund** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.

The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.

The **Capital Projects Fund** accounts for the development, improvement and rehabilitation of City infrastructure.

The City reports the following major proprietary funds:

The **Water Supply and Sewage Disposal Fund** accounts for the activities related to water treatment and distribution, sanitary sewer operation and booster stations, and billing for services.

The **Stormwater Utility Fund** accounts for the management of stormwater related activities including billing, maintenance and construction.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements. The Special Activities Private - Purpose Trust Funds is used to account for the contributions from private sources restricted for special projects. The Fire-Police Retirement System Fund is used to account for the accumulation of resources to be used for the retirement annuity payments at appropriate amounts and times in the future. The Agency Fund is used to record the collection and payment of property taxes billed and collected by the City on behalf of the County, the School Districts, and the Intermediate School District.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting.

Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All enterprise funds, private-purpose trust funds, and pension trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled electric, water, and sewer services are accrued as revenue in the Component Unit, and Water Supply and Sewage Disposal Funds based upon estimated consumption at year-end.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. “Available” means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. No later than the third Monday in May, the budget is adopted by the City Commission in accordance with the provision of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the basic financial statements. Any transfers of appropriation between functions must be approved by the City Commission. All unexpended appropriations lapse at fiscal year-end.
5. Formal budgetary integration is employed as a management control device for the General Fund, all Special Revenue Funds, Debt Service Funds, and Capital Project Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan’s Public Act 621 nor the City’s General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended two times during the fiscal year.
7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash Equivalents – For the purposes of balance sheet classification and the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Restricted assets which contain cash equivalents are included in analyzing the effect on cash and cash equivalents in the Statement of Cash Flows.

Investments – Investments are reported at fair value, based on quoted market prices.

Inventory – Inventory is valued at cost using both the first-in, first-out (FIFO) method and the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. The cost of construction in progress includes interest costs incurred during the construction period. The amount of capitalized interest is determined using the weighted average amount of accumulated expenditures multiplied by the interest rate for the obligation incurred specifically to finance the construction of the asset.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20 years
Building, structures and improvements	50 years
Equipment	5 – 35 years
Water and Sewage System	25 – 75 years
Electric System – Component Unit	5 – 80 years
Stormwater System	25 years
Infrastructure	20 – 50 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

A portion of the depreciation provision for the electric component unit is being charged to the cost of fuel for those vehicles which groom and work the coal pile.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

The City bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections of local school taxes, Intermediate School District taxes, and County taxes, and their remittance are accounted for in the Agency Fund.

Worker's Compensation – The City's policy is to pay worker's compensation premiums as incurred. Any additional premiums or refunds resulting from experience adjustments are recorded in the year made or received, respectively.

Comparative Data – Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations.

Compensated Absences – The City accrues accumulated unpaid vacation, sick leave and benefit days and associated employee-related costs when earned (or estimated to be earned) by the employee. A liability for these amounts is reported in the governmental funds based on historical estimates of the amount of compensated absences that will use current expendable resources, or if the liability has matured, for example, as a result of employee resignations and retirements. The non-current portion (the amount estimated to be used in subsequent fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

	Primary Government	Component Units	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	\$ 7,414,129	\$ 10,705,799	\$ 5,873,231	\$ 23,993,159
Investments	4,043,344	807,889	24,155,068	29,006,301
	<u>11,457,473</u>	<u>11,513,688</u>	<u>30,028,299</u>	<u>52,999,460</u>
Restricted:				
Cash and cash equivalents	1,095,403	2,764,614	-	3,860,017
Investments	1,278,899	-	-	1,278,899
	<u>2,374,302</u>	<u>2,764,614</u>	<u>-</u>	<u>5,138,916</u>
TOTALS	<u>\$ 13,831,775</u>	<u>\$ 14,278,302</u>	<u>\$ 30,028,299</u>	<u>\$ 58,138,376</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit, and fiduciary funds deposits with financial institutions was \$27,853,176 and the bank balance was \$21,615,409. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the City in its name \$ 991,319

Amount collateralized with securities held by the pledging financial
institutions trust department in the City's name:

Collateralized and uninsured	<u>20,624,090</u>
	<u>\$ 21,615,409</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):**Investments**

As of June 30, 2008 the City had the following investments:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
PRIMARY GOVERNMENT:					
Unrestricted Investments:					
U.S. Government Agencies	\$ 4,043,344	\$ 4,043,344	\$ -	\$ -	\$ -
Restricted Investments:					
U.S. Government Agencies	1,278,899	1,278,899	-	-	-
TOTAL INVESTMENTS	<u>\$ 5,322,243</u>	<u>\$ 5,322,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COMPONENT UNITS:					
Mutual Bond Funds	\$ 343,354	\$ 343,354	\$ -	\$ -	\$ -
Mutual Equity Funds	<u>464,535</u>	<u>464,535</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 807,889</u>	<u>\$ 807,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY FUNDS:					
U.S. Government Agencies	\$ 1,264,668	\$ 250,000	\$ 497,947	\$ 262,345	\$ 254,376
Domestic Corporation Bonds	3,391,643	574,423	1,835,313	725,770	256,137
Common, Pooled Fund	19,497,833	19,497,833	-	-	-
Government National Mortgage Association	<u>924</u>	<u>-</u>	<u>-</u>	<u>412</u>	<u>512</u>
TOTAL INVESTMENTS	<u>\$ 24,155,068</u>	<u>\$ 20,322,256</u>	<u>\$ 2,333,260</u>	<u>\$ 988,527</u>	<u>\$ 511,025</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the city to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivision, external investment bond pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Michigan statute (Act 314, PA 1965, as amended) authorizes the pension trust to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds.

The City's investment policy would not further limit its investment choices. The City's investments in Mutual Bond Funds are rated from A1 to AAA by Moody's. Ratings are not required for the City's investment in U.S. Government Agencies or equity-type funds. The City's investments are in accordance with statutory authority.

Concentration of Credit Risk

The City places no limit on the amount the city may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – RESTRICTED ASSETS – PROPRIETARY FUNDS AND COMPONENT UNIT:

The enterprise fund has certain cash investment balances classified as restricted assets since their use is limited by applicable bond indentures and ordinances. The major provisions of the ordinances covering the bond indentures of the component unit (Board of Light and Power) and the Water Supply and Sewage Disposal Fund are as follows:

1. ***Rates*** – The component unit fund only shall charge and collect rates necessary to provide net revenues sufficient to cover annual debt service not less than 1.3 times.
2. ***Receiving Fund*** – All system revenues will be paid into this fund, including interest income, to the extent interest income is not retained in the construction or bond reserve funds.
3. ***Operation and Maintenance Fund*** – Transfers must be made from the Receiving Fund, which is used for initial deposit of all receipts, to the Operation and Maintenance Fund (included under current assets) to cover payment of next month's estimated operating expenses.
4. ***Bond Reserve Fund*** – Transfers must be made to the Bond Reserve Fund in an amount equal to the maximum annual principal and interest on the revenue bonds.
5. ***Replacement/Maintenance Fund*** – Transfers are to be made, as necessary, up to required levels, to make major repairs and replacements to the systems.
6. ***Bond and Interest Redemption*** – Transfers will be made from the Receiving Fund in amounts sufficient to pay the current bond and interest maturities.
7. ***Bond Escrow Fund*** – Transfers were made to the Bond Escrow Fund to provide for the normal retirement, including interest, of the capitalized leases, and revenue bond issues. Transfers will be made to the Bond and Interest Redemption Fund as the obligations become due.

NOTE C – RESTRICTED ASSETS – PROPRIETARY FUNDS AND COMPONENT UNIT (Continued):

8. ***Vacation, Sick and Benefit Days Reserve*** – Transfers will be made to the vacation and sick leave reserve to provide funding for accrued vacation, sick leave, and benefit day liabilities to be paid to employees upon retirement or termination.
9. ***Tax Payment Fund*** – Transfers will be made to the Tax Payment Fund in amounts sufficient to make payments in lieu of taxes to the City of Marquette. Transfers into this fund are subordinate to payments of the above listed funds.
10. ***Plant Replacement - Risk Retention Fund*** – Transfers will be made, as the Board determines necessary to the fund, to finance major system repairs or replacements and provide for potential claims not covered by existing insurance policies. Transfers to this fund are subordinate to transfers to the tax payment fund noted above.
11. ***Plant Improvement Fund*** – Transfers will be made to the Plant Improvement Fund as the Board deems necessary for improvements, enlargements and extension of the system. Transfers to this fund are subordinate to transfers to the Plant Replacement Fund.
12. Transfers from the Water Supply and Sewage Disposal Fund may be made to the General Fund up to 40% of the surplus remaining at the end of the preceding fiscal year.
13. The balance of revenues remaining after the above requirements are met shall, at the option of the governing agency, be transferred to the Bond Reserve Fund for the purpose of calling bonds.

The City Charter allows the transfer to the General Fund of 50% of the preceding year's net income of public utilities. The amount of net income not transferred to the General Fund must be held in a reserve account for future capital outlay. Expenditures shall be charged to the reserve account.

The composition of restricted asset accounts for the respective primary government enterprise and internal service funds and the respective component units are as follows:

	Water Supply And Sewage Disposal Fund	Marina Fund	Stormwater Utility Fund	Motor Vehicle Equipment Fund	Municipal Service Center Fund	Primary Government Total	Component Units
Cash and cash equivalents	\$ 937,352	\$ -	\$ 41,349	\$ 108,881	\$ 7,821	\$1,095,403	\$2,764,614
Investments	413,397	135,594	48,737	681,171	-	1,278,899	-
TOTALS	\$1,350,749	\$ 135,594	\$ 90,086	\$ 790,052	\$ 7,821	\$2,374,302	\$2,764,614

NOTE D – JOINT VENTURE – INVESTMENT IN WASTEWATER PLANT:

The City has entered into a contract with the adjacent townships of Chocolay and Marquette through the County of Marquette to construct and operate a wastewater plant known as the Marquette Area Wastewater Treatment Facility. Under the original agreement, the City owned 79.8% of the facility, the Township of Marquette owned 5.5%, and the Township of Chocolay owned 14.7%. The cost of construction amounted to approximately \$12,000,000 and was financed by Federal and State grants for 80% of the cost and \$ 2,500,000 general obligation bonds issued by Marquette County. The full faith

NOTE D – JOINT VENTURE – INVESTMENT IN WASTEWATER PLANT (Continued):

and credit of the City (refer to Note E) and the two Townships have been pledged. The total investment in the Facility at June 30, 2008 by the City is \$2,879,761, including local contributions and its proportionate share of the net equity of the facility.

In the Spring of 1993, the City of Marquette and Chocolay Township each sold 2.25% of capacity to Marquette Township. The new ownership percentages were the City of Marquette owns 77.55%, Chocolay Township owns 12.45%, and Marquette Township owns 10.00%.

On June 26, 2006, there was an amendment to the Marquette County Wastewater Disposal System contract to change the ownership of the three partners involved. The new ownership percentages for the City of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette are 85%, 5%, and 10%, respectively.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method, the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

As required by Governmental Accounting Standards Board Statement No. 14, the City's equity interest is shown as an asset in the Water Supply and Sewage Disposal Fund. The separately issued audited financial statements can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

A summary of condensed financial information of the Facility, in the aggregate, is as follows:

Assets	\$ 21,507,470
Liabilities	16,302,708
Equity	5,204,762
Revenues	1,529,307
Expenses	1,976,540
Other income	141,362
Loss from operations	(447,233)
City's share of net loss	(140,361)
City's share of capital investments	-

NOTE E – CAPITALIZED LEASE OBLIGATIONS:

The City has a lease obligation with the County of Marquette as a result of the construction of the pumping station and sanitary sewers in conjunction with the construction of the Marquette Area Wastewater Treatment Facility. Accordingly, the City's lease obligation corresponds to its share of the interest and principal payments required to retire the bond issue.

On July 28, 1998, the City of Marquette issued \$1,485,000 Marquette County Refunding Bonds Unlimited Tax Series 1998 to refund, in part, the Marquette County Wastewater Treatment Bonds, Series 1978. This refunding bond issue changed the City's lease obligation with the County of Marquette from 76.2% to 75.5% of the total debt resulting in a cumulative net savings of \$60,257 for the City. The advance refunding also resulted in a difference between the reacquisition price and the net

NOTE E – CAPITALIZED LEASE OBLIGATIONS (Continued):

carrying amount of the old debt of \$47,336. This difference, reported in the accompanying financial statements as deferred amounts on refunding, is being charged to operations through the year 2008 using the effective-interest method.

The carrying amount of the City's portion of the project at June 30, 2008 is \$120,866. The City will finance debt requirements with the revenues of the water and sewer system. Data relating to the above agreement is summarized below:

	<u>Pump Station and Sanitary Sewers</u>
Interest Rate	4.3 - 4.4%
Terms of principal maturities	December 1, 1998 to December 1, 2008

Annual maturities on the Water Supply and Sewage Disposal Fund capitalized lease obligations are as follows:

	<u>Refunded July 28, 1998 Capitalized Lease Obligations</u>
Principal and interest maturities:	
Year Ending June 30:	
2009	<u>\$ 123,525</u>
Minimum lease payments	123,525
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(2,659)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u><u>\$ 120,866</u></u>

NOTE F – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Water Supply and Sewage Disposal Fund:					
Lakeshore Park Place Note	\$ 92,019	\$ -	\$ (21,235)	\$ 70,784	\$ 22,343
State Act 94 Clean Water Assistance Loan	3,185,000	-	(145,000)	3,040,000	150,000
4.3-4.4%, 1998 Refunded Capitalized Lease Obligation	241,732	-	(120,866)	120,866	120,866
2.0%-4.1% Refunding Revenue Bonds	4,230,000	-	(590,000)	3,640,000	480,000
3.875-4.0% Water Supply and Sewage Disposal System Revenue Bonds, Series 2006	1,440,000	-	(120,000)	1,320,000	125,000
3.0-5.0% Limited Tax General Obligation Bonds, Series 2008	-	3,957,956	-	3,957,956	155,955
Accrued Compensated Absences	151,559	15,406	-	166,965	-
Marina Fund:					
2.0% Revenue Bonds, Series 2004A	530,000	-	(70,000)	460,000	75,000
Stormwater Utility Fund:					
4.1-5.0% Revenue Bonds, Series 1995	820,000	-	(255,000)	565,000	275,000
3.0-5.0% Limited Tax General Obligation Bonds, Series 2008	-	1,683,385	-	1,683,385	66,330
Accrued Compensated Absences	6,511	866	-	7,377	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 10,696,821	\$ 5,657,613	\$ (1,322,101)	\$ 15,032,333	\$ 1,470,494
GOVERNMENTAL ACTIVITIES:					
Lakeshore Park Place Note	\$ 92,052	\$ -	\$ (21,091)	\$ 70,961	\$ 22,351
GEMS Installment Note	153,387	-	(48,848)	104,539	51,095
State Infrastructure Bank Note	994,481	-	(82,874)	911,607	82,873
2003 General Obligation Bonds	3,500,000	-	(170,000)	3,330,000	175,000
2006 Limited Tax General Obligation Street Improvement Bonds	5,475,000	-	(275,000)	5,200,000	285,000
2007 Limited Tax General Obligation Bonds	5,135,000	-	(150,000)	4,985,000	175,000
Department of Transportation Bonds	735,000	-	(355,000)	380,000	185,000
1998 Building Authority Refunding Bonds	3,820,000	-	(190,000)	3,630,000	205,000
1998 Building Authority Bonds - Lakeview Arena	125,000	-	(125,000)	-	-
Marquette County Solid Waste Landfill Authority Bonds, Series 1988 (Revised July 30, 1994)	41,087	-	(19,546)	21,541	21,541
2007 High Street Bonds	209,061	475,575	-	684,636	-
3.0-5.0% Limited Tax General Obligation Bonds, Series 2008	-	2,733,659	-	2,733,659	107,714
Accrued Compensated Absences	937,693	-	(126,267)	811,426	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 21,217,761	\$ 3,209,234	\$ (1,563,626)	\$ 22,863,369	\$ 1,310,574
COMPONENT UNITS:					
Board of Light and Power Electric Utility 4.8-5.125% Revenue Bonds, Series 1993	\$ 5,448,825	\$ -	\$ (2,748,825)	\$ 2,700,000	\$ 2,700,000
Peter White Public Library:					
1997 General Obligation Bonds - Library Improvement	220,000	-	(220,000)	-	-
1998 Building Authority Bonds - Library	245,000	-	(245,000)	-	-
2006 General Obligation Unlimited Tax Refunding Bonds - Library Improvement	2,935,000	-	(25,000)	2,910,000	245,000
Accrued Compensated Absences	93,980	10,534	-	104,514	-
Downtown Development Authority:					
2001 Tax Increment Bonds	142,857	-	(71,429)	71,428	71,428
2005 Tax Increment Bonds	535,714	-	(107,143)	428,571	107,143
TOTAL COMPONENT UNITS	\$ 9,621,376	\$ 10,534	\$ (3,417,397)	\$ 6,214,513	\$ 3,123,571

NOTE F – LONG-TERM DEBT (Continued):

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$116,702 of internal service funds compensated absences is included in the above amounts. In the governmental activities, compensated absences are generally liquidated by the general fund.

The City's component units (Board of Light and Power and Peter White Library), the Marina, Water Supply and Sewage Disposal Fund revenue bonds, general obligation bonds, and capital lease obligations outstanding are recorded in the respective Component Unit and Enterprise Fund. The Component Units' debt and the Enterprise Fund debt are expected to be repaid from proprietary revenues.

As of June 30, 2000, the City had a secured credit agreement with maximum borrowings of \$750,000 and an interest rate of 4.88% per annum for the purpose of making certain street and utility improvements along Lakeshore Boulevard in conjunction with the Lakeshore Park Place special assessment project. At June 30, 2000, the amount initially borrowed was \$399,926 of which \$199,926 was recorded in the Water Supply and Sewage Disposal Fund and \$200,000 was recorded as Governmental Activities long-term debt. The note will be paid off in ten consecutive and equal annual principal and interest payments on the outstanding principal amounts due each year, beginning August 5, 2001.

On March 9, 2004, the City issued \$3,470,000 of State of Michigan Act 94 Clean Water Assistance Loan for the purpose of rehabilitation of the Hawley Street, Pine Street, Lake Street, and Baraga Avenue sewage pump stations. The loan will be paid off in annual principal and interest payments over 20 years with an interest rate of 2.125%.

On April 1, 1996, the City issued \$6,435,000 Water Supply and Sewage Disposal System Revenue Bonds, Series 1996. The Water Supply and Sewage Disposal System Revenue Bonds were issued for the purpose of financing the cost of expanding and making certain improvements to the water supply and filtration system of the City in accordance with a resolution adopted by the City Commission of the City on March 11, 1996, pursuant to Act 94, Public Acts of Michigan, 1933, as amended.

On February 18, 2004, the City issued \$140,000 in Water and Sewer Refunding Revenue Bonds, Series 2004A with an average interest rate of 2.0 percent to advance refund \$125,000 of outstanding Water and Sewer Revenue Bonds, Series 1986 with an interest rate ranging 6.1% to 9.5%. The net proceeds of \$125,365 (after payment of \$14,821 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future callable debt service payments on the Water and Sewer Revenue Bonds, Series 1986. As a result, the 1986 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. At June 30, 2006, all of the bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method.

NOTE F – LONG-TERM DEBT (Continued):

On November 4, 2003, the City issued \$5,990,000 in Water and Sewer Refunding Revenue Bonds with an interest rate ranging from 2.0% to 4.1% to advance refund \$5,820,000 of outstanding 1996, 1977, and 1989 Water and Sewer Revenue Bonds with interest rates ranging 3.85% to 7.0%. The net proceeds of \$5,946,012 (after payment of \$122,927 in underwriting fees, insurance, and other issuance costs plus an additional \$11,484 in Prior Issue Debt Service fund monies and a \$67,455 reoffering premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all callable future debt service payments on the 1996, 1977, and 1989 Water and Sewer Revenue bonds. As a result, the 1996, 1977, and 1989 Water and Sewer Revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. At June 30, 2008, \$3,700,000 of bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$170,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method.

On December 20, 2006, the City issued \$1,440,000 in Water Supply and Sewage Disposal System Revenue Bonds, Series 2006 at interest rates varying from 3.875% to 4.0%. The Bonds were issued for the purpose of the acquisition, construction, and installation of water filtration membranes and related equipment and piping in the City. The Bonds were issued pursuant to the provisions of Act 94 of the Michigan Public Acts of 1933, as amended, and Ordinances No. 514, 499, and 538 of the City. The Bonds are payable solely from the net revenues of the City's water supply and sewage disposal system and any addition or supplement thereto including earning on investments as described in the Ordinances and in Section 3 of Act 94.

On February 18, 2004, the City issued \$690,000 in Marina Refunding Revenue Bonds, Series 2004A with an average interest rate of 2.0% to advance refund \$655,000 of outstanding Marina Revenue Bonds, Series 1994 with an interest rate ranging 4.75% to 5.8%. The net proceeds of \$669,508 (after payment of \$18,512 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future callable debt service payments on the Marina Revenue Bonds, Series 1994. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. At June 30, 2008, \$470,000 of bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,000. This difference has been charged to operations as a component of interest expense in the Statement of Activities. The transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$458,550.

On November 1, 1995, the City issued \$2,740,000 Stormwater Revenue Bonds. The Stormwater Revenue Bonds were issued for the purpose of acquiring and constructing certain stormwater utility improvements in the City in accordance with a resolution adopted by the City Commission of the City, on August 28, 1995 pursuant to Act 94, Public Acts of Michigan, 1934, as amended.

NOTE F – LONG-TERM DEBT (Continued):

On April 8, 2002, the City issued \$367,859 of GEMS Installment Notes for the purpose of purchasing computer equipment and software to be used for the City's general finance operations. The notes will be paid off in eight annual principal installments beginning April 1, 2004 and ending on April 1, 2010. Interest shall be payable semi-annually beginning October 1, 2002 at a rate equal to 4.6% per annum.

On July 25, 2003, the City issued \$1,243,100 of State Infrastructure Bank Notes for the purpose of financing transportation improvements through the County Road (CR) 550 Flood Repair and Spring Street Reconstruction project. The notes will be paid off in 15 annual principal installments beginning July 25, 2004 and ending July 25, 2019, plus interest at the rate of zero percent.

On December 23, 2003, the City issued \$3,935,000 in General Obligation Limited Tax Bonds with interest rates ranging from 2.0% to 4.55%. The Bonds were issued pursuant to the resolution duly adopted by the City on November 24, 2003 for the purpose of reimbursing the City for certain costs relating to the acquisition of waterfront property for the City's park system, and paying the costs of designing, engineering, acquiring, preparing, constructing, and equipping various park improvements.

On October 31, 2006, the City issued \$5,475,000 in Limited Tax General Obligation Bonds, Series 2006 at an interest rate of 4.0%. The Bonds were issued for the purpose of paying all or part of the cost of making major and local street improvements throughout the City. The Bonds are issued pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended, and a resolution of the City. The City has pledged its limited tax, full faith and credit as a security for the payment of the principal and interest on the Bonds.

On March 29, 2007, the City issued \$5,135,000 in General Obligation Unlimited Tax Refunding Bonds, Series 2007 with interest rates varying from 5.25% to 5.5% to advance refund \$5,000,000 of outstanding General Obligation Limited Tax Bonds, Series 2005 maturing in fiscal years 2008 through 2025. The 2007 issue net proceeds of \$4,996,644 (after payment of \$142,148 in underwriting fees, insurance, and other issuance costs plus an additional \$3,792 reoffering premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all callable future debt service payments on the 2005 General Obligation Unlimited Refunding Bonds. As a result, the 2005 General Obligation Unlimited Tax Refunding Bonds are considered to be defeased and the liability for those has been removed from the Governmental Activities long-term debt balance. At June 30, 2008, \$4,865,000 of the bond outstanding are considered to be defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$135,000. This difference has been charged to operations as a component interest expense in the Statement of Activities. The transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$458,550.

On June 24, 1999, the City issued \$2,480,000 in Michigan Transportation Fund Refunding Bonds, Series 1999 with interest rates ranging from 3.5% to 4.75% to advance refund \$2,820,000 of outstanding "Michigan Transportation Fund Bonds, Series 1986" dated September 25, 1986 (the "1986 Prior Bonds"); the "Michigan Transportation Fund Bonds, Series 1989" dated August 10, 1989 (the "1989 Prior Bonds"); and the "Michigan Transportation Fund Bonds, Series 1999" 7.1%, maturing in the years

NOTE F – LONG-TERM DEBT (Continued):

1999 through 2009. There were no net proceeds (after payment of \$200,000 in underwriting fees, insurance, and other issuance costs.) As a result, the 1986, 1989, and 1992 issue bonds maturing in fiscal year 1999 through 2009 are considered to be defeased and the liability for those bonds has been removed from the Governmental Activities long-term debt balance. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2008, \$385,000 of the bonds outstanding are considered to be defeased.

On June 16, 1998, the City issued \$4,945,000 in Building Authority Refunding Bonds, Series 1998 with interest rates ranging from 3.8% to 5.125% to advance refund \$4,455,000 of outstanding Building Authority Bonds, Series 1991 with interest rates ranging from 6.0% to 6.875% maturing in fiscal years 2002 through 2021. The 1998 issue net proceeds of \$4,790,820 (after payment of \$154,180 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service interest and principal payments on the 1991 issue refunded bonds. As a result, the 1991 issue bonds maturing in fiscal years 2002 through 2021 are considered to be defeased and the liability for those bonds has been removed from the Governmental Activities long-term debt balance.

Also, the irrevocable trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2008, \$3,535,000 of bonds outstanding are considered defeased.

The 1998 Building Authority Bonds – Lakeview Arena were issued for the purpose of defraying the cost of renovating, constructing, furnishing, and equipping improvements to the existing Lakeview Arena. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the City to the Building Authority pursuant to the contract of Lease between the City and the Authority.

On November 3, 1998, the City authorized the sale of Marquette County Solid Waste Landfill Authority Bonds, Series 1988, in the amount of \$2,675,000 to pay for part of the cost of acquiring, constructing, and establishing a sanitary landfill and a solid waste management system. The City's proportionate share of the bonds is 31 percent or \$798,250. The City's portion of the bond's principal and interest are payable from General Fund tax levies. In July of 1993, the Authority advance refunded a portion of this issue maturing in fiscal years 1997 – 2009 with the 1993B Issue, Refunding Bonds.

The Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 2007, are authorized to be issued in the aggregate principal sum of not to exceed \$1,852,000 for the purpose of paying the costs for the High Street sewer replacement and related street reconstruction. The Series 2007 Bonds shall bear interest at a rate of 1.625%. Principal installments of the Series 2007 Bonds shall be payable on October 1 of the years 2009 to 2028. Interest on the Series 2007 Bonds shall be payable on April 1 and October 1 of each year, commencing on October 1, 2007.

NOTE F – LONG-TERM DEBT (Continued):

On June 29, 2007, the City received their first draw down on the Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 2007 of \$209,061. Total draws for the fiscal year ending June 30, 2008 totaled \$475,575 and resulted in a total liability to the City of \$684,636 as of June 30, 2008.

On June 26, 2008, the City issued \$8,375,000 in Limited Tax General Obligation Bonds, Series 2008 with interest rates ranging from 3.0% to 5.0% for the purpose of paying the cost of certain capital improvements including major and local street improvements, construction and installation of water treatment and distribution lines, construction and installation of wastewater and storm water collection lines, and acquisition of other City equipment. The bonds are issued pursuant to the provision of Act 34, Public Acts of Michigan, 2001, as amended and a resolution adopted by the City. The City has pledged its limited tax, full faith and credit as a security for the payment of the principal and interest on the Bonds.

On October 11, 2001, the Board of Light and Power issued Revenue Bonds in the amount of \$21,815,150 with interest rates ranging from 4.8% to 5.125% to finance the cost of improvements to its physical plant. The principal and interest payable on the bonds shall be repaid solely from revenue generated by the system.

On December 27, 1997, the City issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due. On October 3, 2006, the City advance refunded a portion of this issue maturing in fiscal years 2009 to 2018 with the General Obligation Unlimited Tax Library Improvement Bonds, Series 2006.

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing, and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the City of Marquette to the Building Authority pursuant to the Contract of Lease between the City and the Authority.

When all of the Building Authority Bonds have been retired, the Authority shall convey all rights, title, and interest to the City of Marquette.

On October 3, 2006, the City issued \$2,935,000 in General Obligation Unlimited Tax Refunding Bonds, Series 2006 with an interest rate of 4.0% to advance refund \$2,885,000 of outstanding General Obligation Unlimited Tax Library Improvement Bonds, Series 1997 maturing in fiscal years 2009 through 2018. The 2006 issue net proceeds of \$2,896,462 (after payment of \$81,939 in underwriting fees, insurance, and other issuance costs plus an additional \$43,401 reoffering premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all callable future debt service payments on the 1997 General Obligation Unlimited Tax Library Improvement Bonds. As a result, the 1997 General Obligation Unlimited Tax Library Improvement Bonds are considered to be defeased and the liability for those has been removed

NOTE F – LONG-TERM DEBT (Continued):

from the Governmental Activities long-term debt balance. On June 30, 2007, \$220,000 remains outstanding on the 1997 General Obligation Unlimited Tax Library Improvement Bonds as this amount was not included in the bond refunding.

Pursuant to Section 162.2 of Act 197, Public Acts of Michigan, as amended, on October 11, 2001, the Marquette Downtown Development Authority (DDA) issued Tax Increment Bonds in the amount of \$500,000 at 4.6% interest rate designated as Tax Increment Bonds, Series 2001, to finance a portion of the costs of certain public improvements with the downtown district. The principal and interest payable on the bonds shall be repaid solely from tax increment revenues received by the DDA.

Pursuant to Section 16(2) of Act 197, Public Acts of Michigan, 1975, as amended, on April 29, 2005, the Marquette Downtown Development Authority (DDA) issued Tax Increment Bonds in the amount of \$750,000 at a 3.65% interest rate designated as Tax Increment Bonds, Series 2005, to finance a portion of the costs of certain public improvements within the downtown district. The principal and interest payable on the bonds shall be repaid solely from tax increment revenues received by the DDA.

Annual maturities on the Business-Type Activities debts are as follows:

Year Ending June 30,	Stormwater Utility Fund		Water Supply and Sewage Disposal Fund					Marina Fund	
	11/1/95 Revenue Bonds	2008 Limited Tax General Obligation Bonds	Lakeshore Park Place Note	State Act 94 Clean Water Assistance Loan	12/01/98 Capitalized Lease Obligations	11/04/03 Revenue Bonds	12/20/06 Revenue Bonds	2008 Limited Tax General Obligation Bonds	2/18/04 Revenue Bonds
2009	\$ 275,000	\$ 66,330	\$ 22,343	\$ 150,000	\$ 120,866	\$ 480,000	\$ 125,000	\$ 155,955	\$ 75,000
2010	290,000	60,300	23,448	155,000	-	410,000	130,000	141,778	70,000
2011	-	60,300	24,993	155,000	-	410,000	135,000	141,778	75,000
2012	-	62,310	-	160,000	-	430,000	140,000	146,503	75,000
2013	-	65,326	-	165,000	-	450,000	145,000	153,592	80,000
2014	-	67,336	-	165,000	-	470,000	150,000	158,318	85,000
2015	-	70,350	-	170,000	-	485,000	160,000	165,407	-
2016	-	72,360	-	175,000	-	505,000	165,000	170,133	-
2017	-	75,375	-	180,000	-	-	170,000	177,222	-
2018	-	79,395	-	180,000	-	-	-	186,674	-
2019	-	83,415	-	185,000	-	-	-	196,126	-
2020	-	86,431	-	190,000	-	-	-	203,214	-
2021	-	90,451	-	195,000	-	-	-	212,666	-
2022	-	94,471	-	200,000	-	-	-	222,118	-
2023	-	96,481	-	200,000	-	-	-	226,844	-
2024	-	101,506	-	205,000	-	-	-	238,659	-
2025	-	105,526	-	210,000	-	-	-	248,111	-
2026	-	110,551	-	-	-	-	-	259,925	-
2027	-	114,571	-	-	-	-	-	269,377	-
2028	-	120,600	-	-	-	-	-	283,556	-
Principal	565,000	1,683,385	70,784	3,040,000	120,866	3,640,000	1,320,000	3,957,956	460,000
Interest	28,625	808,940	7,078	647,753	2,659	653,525	250,369	1,901,966	51,662
	<u>\$ 593,625</u>	<u>\$ 2,492,325</u>	<u>\$ 77,862</u>	<u>\$ 3,687,753</u>	<u>\$ 123,525</u>	<u>\$ 4,293,525</u>	<u>\$ 1,570,369</u>	<u>\$ 5,859,922</u>	<u>\$ 511,662</u>

NOTE F - LONG-TERM DEBT (Continued):

Annual maturities on the Governmental Activities are as follows:

Year Ending June 30,	Lakeshore Park Place Note	GEMS Installment Note	State Infrastructure Bank Note	2003 General Obligation Bonds	2007 General Obligation Bonds	2006 LTGO Street Improvement Bonds	Transportation Bond Fund Loans Payable	1998 Building Authority Bonds, Refunding	1998 Building Authority Bonds, Lakeview Arena	Marquette County Sanitary Landfill Authority Bonds Seires 1988	2007 High Street Bonds	2008 Limited Tax General Obligation Bonds
2009	\$ 22,351	\$ 51,095	\$ 82,873	\$ 175,000	\$ 175,000	\$ 285,000	\$ 185,000	\$ 205,000	\$ -	\$ 21,541	\$ -	\$ 107,714
2010	23,457	53,444	82,873	175,000	190,000	295,000	195,000	210,000	-	-	684,636	97,922
2011	25,153	-	82,873	155,000	200,000	305,000	-	225,000	-	-	-	97,922
2012	-	-	82,873	190,000	210,000	320,000	-	235,000	-	-	-	101,187
2013	-	-	82,873	190,000	225,000	330,000	-	245,000	-	-	-	106,083
2014	-	-	82,873	200,000	240,000	345,000	-	260,000	-	-	-	109,346
2015	-	-	82,873	210,000	250,000	360,000	-	275,000	-	-	-	114,243
2016	-	-	82,873	220,000	270,000	375,000	-	285,000	-	-	-	117,506
2017	-	-	82,873	230,000	285,000	390,000	-	300,000	-	-	-	122,403
2018	-	-	82,873	235,000	300,000	405,000	-	320,000	-	-	-	128,931
2019	-	-	82,877	245,000	320,000	420,000	-	335,000	-	-	-	135,459
2020	-	-	-	260,000	340,000	440,000	-	355,000	-	-	-	140,354
2021	-	-	-	270,000	355,000	455,000	-	380,000	-	-	-	146,883
2022	-	-	-	280,000	375,000	475,000	-	-	-	-	-	153,412
2023	-	-	-	295,000	395,000	-	-	-	-	-	-	156,676
2024	-	-	-	-	415,000	-	-	-	-	-	-	164,836
2025	-	-	-	-	-	-	-	-	-	-	-	171,364
2026	-	-	-	-	-	-	-	-	-	-	-	179,524
2027	-	-	-	-	-	-	-	-	-	-	-	186,053
2028	-	-	-	-	440,000	-	-	-	-	-	-	195,841
Principal	70,961	104,539	911,607	3,330,000	4,985,000	5,200,000	380,000	3,630,000	-	21,541	684,636	2,733,659
Interest	7,081	7,267	-	1,242,743	2,668,901	1,589,400	18,195	1,421,474	-	1,077	22,250	1,313,639
	<u>\$ 78,042</u>	<u>\$ 111,806</u>	<u>\$ 911,607</u>	<u>\$ 4,572,743</u>	<u>\$ 7,653,901</u>	<u>\$ 6,789,400</u>	<u>\$ 398,195</u>	<u>\$ 5,051,474</u>	<u>\$ -</u>	<u>\$ 22,618</u>	<u>\$ 706,886</u>	<u>\$ 4,047,298</u>

NOTE F – LONG-TERM DEBT (Continued):

Annual maturities on Component Unit debt are as follows:

Year Ending June 30,	Board of Light & Power Revenue Bonds Series 1001A	1997 G.O. Bonds Library Improvement	2006 G.O.U.T. Refunding Bonds - Library	1998 Building Authority Bonds - Library	DDA 2001 Tax Increment Bonds	DDA 2005 Tax Increment Bonds
2009	\$ 2,700,000	\$ -	\$ 245,000	\$ -	\$ 71,428	\$ 107,143
2010		-	250,000	-	-	107,143
2011	-	-	260,000	-	-	107,143
2012	-	-	275,000	-	-	107,142
2013	-	-	285,000	-	-	-
2014-2018	-	-	1,595,000	-	-	-
2019-2023	-	-	-	-	-	-
2024-2028	-	-	-	-	-	-
Principal	2,700,000	-	2,910,000	-	71,428	428,571
Interest	51,300	-	619,200	-	1,454	39,107
	<u>\$ 2,751,300</u>	<u>\$ -</u>	<u>\$ 3,529,200</u>	<u>\$ -</u>	<u>\$ 72,882</u>	<u>\$ 467,678</u>

Annual principal and interest requirements on indebtedness are as follows:

	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,310,574	\$ 909,800	\$ 1,470,494	\$ 488,133	\$ 3,123,571	\$ 179,897
2010	2,007,332	874,049	1,280,526	472,346	357,143	113,332
2011	1,090,948	813,828	1,002,071	432,711	367,143	99,221
2012	1,139,060	770,051	1,013,813	398,229	382,142	84,611
2013	1,178,956	723,568	1,058,918	362,938	285,000	69,500
2014-2018	6,761,794	2,821,726	4,282,570	1,252,436	1,595,000	164,500
2019-2023	6,810,661	1,215,318	2,482,217	687,525	-	-
2024-2028	1,752,618	163,687	2,267,382	258,259	-	-
	<u>\$22,051,943</u>	<u>\$ 8,292,027</u>	<u>\$14,857,991</u>	<u>\$ 4,352,577</u>	<u>\$ 6,109,999</u>	<u>\$ 711,061</u>

NOTE G – INTERFUND BALANCES

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are not provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
PRIMARY GOVERNMENT:			
General	\$ 166,787	Major Street	\$ 166,787
Subtotal	166,787	Subtotal	166,787
TOTAL REPORTING ENTITY	\$ 166,787		\$ 166,787

NOTE H – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The interfund transfers for the year are as follows:

Fund	Transfers In	Fund	Transfers Out
PRIMARY GOVERNMENT:			
General	\$ 19,549	Nonmajor Governmental	\$ 19,549
Subtotal	19,549	Subtotal	19,549
Major Street	618,897	General	4,174,269
Local Street	1,026,295		
Capital Projects	679,958		
Nonmajor Governmental	1,474,324		
Internal Service	374,795		
Subtotal	4,174,269	Subtotal	4,174,269
Water/Sewer Fund	1,961,612	Capital Projects	1,961,612
Subtotal	1,961,612	Subtotal	1,961,612
Capital Projects	3,099,412	Major Street	2,680,872
Subtotal	3,099,412	Local Street	418,540
		Subtotal	3,099,412
Debt Service	804,252	Major Street	114,749
		Local Street	66,778
		Stormwater Fund	242,637
		Internal Service	380,088
Subtotal	804,252	Subtotal	804,252
TOTAL REPORTING ENTITY	\$ 10,059,094		\$ 10,059,094

NOTE I – CAPITAL ASSETS:

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
GOVERNMENTAL ACTIVITIES:				
Investment in joint venture	\$ 3,524,660	\$ 20,467	\$ -	\$ 3,545,127
Construction in progress	3,487,003	6,634,469	(721,240)	9,400,232
Land	11,457,457	-	(25,325)	11,432,132
Total Capital Assets, not being depreciated	18,469,120	6,654,936	(746,565)	24,377,491
Land improvements	6,974,388	-	(5,901)	6,968,487
Buildings	5,387,699	-	-	5,387,699
Building improvements	11,926,004	88,096	-	12,014,100
Furniture and equipment	11,597,117	658,411	(577,221)	11,678,307
Infrastructure	35,335,822	1,478,708	-	36,814,530
Total Capital Assets, being depreciated	71,221,030	2,225,215	(583,122)	72,863,123
Less Accumulated Depreciation:				
Land improvements	(4,471,008)	5,901	(198,154)	(4,663,261)
Buildings	(2,904,872)	-	(126,053)	(3,030,925)
Building improvements	(6,274,555)	-	(428,508)	(6,703,063)
Furniture and equipment	(7,761,020)	483,900	(945,888)	(8,223,008)
Infrastructure	(18,266,708)	-	(1,326,426)	(19,593,134)
Total Accumulated Depreciation	(39,678,163)	489,801	(3,025,029)	(42,213,391)
Governmental Activities Capital Assets, net	\$ 50,011,987	\$ 9,369,952	\$ (4,354,716)	\$ 55,027,223

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activity:	
General Government	\$ 11,432
Public Health and Safety	24,293
Public Works	112,627
Social Services	1,375
Recreation and Culture	525,269
Depreciation - unallocated	1,633,032
Internal Service Funds charged to above activities	717,001
Total Depreciation Expense - Governmental Activities	<u>\$ 3,025,029</u>

NOTE I – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
BUSINESS-TYPE ACTIVITIES				
Investment in joint venture	\$ 2,954,963	\$ -	\$ (75,202)	\$ 2,879,761
Construction in progress	2,024,645	25,000	(1,150,053)	899,592
Total Capital Assets, not being depreciated	4,979,608	25,000	(1,225,255)	3,779,353
Land improvements	3,128,861	-	-	3,128,861
Buildings and building improvements	13,496,684	-	-	13,496,684
Furniture and equipment	4,365,295	16,000	-	4,381,295
Infrastructure	36,379,311	2,696,333	-	39,075,644
Total Capital Assets, being depreciated	57,370,151	2,712,333	-	60,082,484
Less Accumulated Depreciation:				
Land improvements	(1,364,159)	-	-	(1,364,159)
Buildings and building improvements	(4,582,144)	(415,656)	-	(4,997,800)
Furniture and equipment	(1,296,910)	(252,241)	-	(1,549,151)
Infrastructure	(9,943,916)	(890,473)	-	(10,834,389)
Total Accumulated Depreciation	(17,187,129)	(1,558,370)	-	(18,745,499)
Business-Type Activities Capital Assets, net	\$ 45,162,630	\$ 1,178,963	\$ (1,225,255)	\$ 45,116,338

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Water Supply and Sewage Disposal	\$ 1,149,367
Stormwater Utility	274,699
Marina	134,304
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,558,370</u>

NOTE I – CAPITAL ASSETS (Continued):

A summary of Component Unit's capital assets is as follows:

	Board of Light and Power	Peter White Public Library	Downtown Development Authority	Total Component Units
COMPONENT UNITS:				
Land	\$ 1,123,073	\$ 114,704	\$ -	\$ 1,237,777
Construction in progress	-	-	-	-
Total Capital Assets, not being depreciated	1,123,073	114,704	-	1,237,777
Land improvements	-	-	2,883,186	2,883,186
Buildings and improvements	11,295,247	8,848,096	-	20,143,343
Furniture and equipment	109,284,718	2,232,468	155,302	111,672,488
Total Capital Assets, being depreciated	120,579,965	11,080,564	3,038,488	134,699,017
Less Accumulated Depreciation:				
Land improvements	-	-	(369,803)	(369,803)
Buildings and improvements	-	(3,704,695)	-	(3,704,695)
Furniture and equipment	-	(1,945,897)	(81,526)	(2,027,423)
Unallocated	(82,459,907)	-	-	(82,459,907)
Total Accumulated Depreciation	(82,459,907)	(5,650,592)	(451,329)	(88,561,828)
Component Units Capital Assets, net	\$ 39,243,131	\$ 5,544,676	\$ 2,587,159	\$ 47,374,966

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Board of Light and Power	\$ 3,050,572
Peter White Public Library	488,058
Downtown Development Authority	111,501
Total Depreciation Expense - Component Units	<u>\$ 3,650,131</u>

NOTE J – UNEARNED REVENUES:

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

1. The General Fund has reported unearned revenue of \$8,464,052. Of this amount, \$8,254,019 relates to the 2008 tax levy assessed May 1, 2008 and payable July 1, 2008; and \$210,033 relates to the special assessment receivable which are not available resources within the next year.
2. The Business-Type Funds have reported unearned revenue of \$20,332 which represents the portion of special assessment receivables which are not available resources within the next year.
3. The Component Units have reported unearned revenue of \$1,678,759 which relates to their portion of the 2008 tax levy.

NOTE K – DEFINED BENEFIT PENSION PLAN – MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN:

Plan Description

The City contributes to the Municipal Employees Retirement System of Michigan (“System”), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Fire Department and Police Department of the City are included in a separate self-administered plan. The employees of the Marquette Board of Light and Power are included in a separate plan. All other full-time employees of the City and the Marquette Area Wastewater Treatment Facility are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee’s surviving spouse will receive a retirement allowance equal to 85% of the deceased member’s or deceased vested former member’s accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

Funding Policy

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended June 30, 2008, the City’s annual pension cost of \$858,658 for the plan was equal to the City’s required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to

NOTE K – DEFINED BENEFIT PENSION PLAN – MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN (Continued):

inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year trend information is stated below, and ten-year trend information may be found on page 94.

Fiscal Year Ending June 30	Valuation Date December	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	2003	\$ 625,812	100%	\$ -
2007	2004	700,844	100%	-
2008	2005	858,658	100%	-

Funded Status

The funded status of the Plan as of the three most recent actuarial valuation, is stated below, and ten-year funded status information may be found on page 94.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] Percentage of Covered Payroll
12/31/2005	\$ 25,645,447	\$ 33,158,414	\$ 7,512,937	77%	\$ 5,435,528	159%
12/31/2006	26,951,096	36,475,540	9,524,444	74%	5,264,612	183%
12/31/2007	28,414,859	38,247,393	9,832,534	74%	5,454,443	182%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE L – DEFINED BENEFIT PENSION PLAN – FIRE-POLICE RETIREMENT SYSTEM:

Separately Issued Plan Financial Report

The separately issued audited financial statements of the Plan can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

Summary of Significant Accounting Policies

Basis of Accounting – The City of Marquette Fire-Police Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE L – DEFINED BENEFIT PENSION PLAN – FIRE-POLICE RETIREMENT SYSTEM (Continued):

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Plan Description

The City of Marquette is the administrator of a single-employer public employee retirement system (“System”) established and administered by the City of Marquette to provide pension benefits for the Fire and Police Department employees. The Fire and Police System is considered part of the City of Marquette’s financial reporting entity and is included in the City’s financial report as a pension trust fund. The city’s payroll for employees covered by the System for the year ended June 30, 2008 was \$2,677,095; the City’s total payroll was \$9,004,974.

Current membership in the plan comprises the following as of December 31, 2007, the latest actuarial valuation date:

Group	
Retirees and beneficiaries currently receiving benefits	56
Vested terminated members	2
Active employees:	
Fire	25
Police	32
TOTAL	<u>115</u>

The qualifying full-time employees of the Fire Department and Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 with 10 or more years of service, are entitled to annual retirement benefits, payable monthly for life, in an amount equal to a minimum of \$600 a month, or 2.5% (3% for Fire members) of a three-year average final compensation times the first twenty-five years of service plus 1.5% (1% for Fire members) of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total and permanent disability of a member with 5 or more years of service. Benefits up to age 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable, up to the age of 55, (age 50 for Fire members) at 50% of the average final compensation. Benefits after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55, except for fire members whose full retirement is the equivalent of 25 years of service that the member would have had if not disabled.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker’s compensation.

NOTE L – DEFINED BENEFIT PENSION PLAN – FIRE-POLICE RETIREMENT SYSTEM (Continued):

If an active employee with 20 or more years of service (10 years required for fire members) dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight life pension actuarially reduced in accordance with Option I election.

Contributions

Covered employees are required by statute to contribute 5% of their salary to the System. If an employee leaves covered employment or dies before being eligible for retirement, the total accumulated employee contributions plus related investment earnings may be refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by State statute and City ordinance.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2008 were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized as a level percent of payroll over an open period of 21 years for police and 20 years for fire.

During the year ended June 30, 2008, 2007, and 2006, contributions totaling \$587,824, \$470,128 and \$265,196, respectively, were made in accordance with contribution requirements determined by an actuarial valuation of the System.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year trend information is stated below, and ten-year trend information may be found on page 95.

<u>Fiscal Year Ending June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 207,854	100%	\$ -
2006	470,018	100%	-
2007	587,824	100%	-

Funded Status

The funded status of the Plan as of the three most recent actuarial valuation, is stated below, and ten-year funded status information may be found on page 95:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b-a)/c] Percentage of Covered Payroll</u>
12/31/2005	\$ 26,904,310	\$ 26,794,398	\$ (109,912)	100%	\$ 2,782,910	4%
12/31/2006	27,011,210	27,763,814	752,604	97%	2,798,271	27%
12/31/2007	28,295,125	28,894,461	599,336	98%	2,788,773	22%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE L – DEFINED BENEFIT PENSION PLAN – FIRE-POLICE RETIREMENT SYSTEM (Continued):

Concentrations of Investments

The Plan does hold any individual investments that represent 5% or more of the Plan's net assets.

NOTE M – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER – COMPONENT UNIT:

Separately Issued Plan Financial Report

The separately issued audited financial statements of the Plan can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

During the fiscal year ended June 30, 2005, the Board of Light and Power was effectively split from other City departments for pension benefit purposes. The following disclosures are related to the specifics of the "new" plan for the Board of Light and Power employees as excerpted from the audit report of the Board of Light and Power.

Plan Description

The Board of Light and Power ("Board") contributed to the Municipal Employees Retirement System of Michigan ("System"), an agent multiple-employer public employee retirement system that acts as common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

All employee benefits, except for the executive director, vest after ten years of service. The executive director's benefits vest at eight years of service. Current Board bargaining and non-bargaining active employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.25% of a members 5-year final average compensation times the number of years service credited until age 65. At age 65, or upon receipt of social security benefits, the benefit payable for life is equal to the sum of 1.7% times the 5-year final average compensation times the number of years of service credit. Board employees who have retired prior to July 1, 1992, at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly for life, in an amount equal to the sum of 1.2% times the first \$4,200 of a members 5-year final average compensation, plus 1.7% times the portion of final average compensation over \$4,200. The executive director and the management group who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.5 and 2.25, respectfully, percent of a member's 5-year final average compensation times the number of years of service credit. The System provides for early retirement benefits for all active employees at age 55 with 15 years of service at a reduced retirement benefit and with 25 years of service at age 55 without reduced benefits and age 50 with 25 years of service at a reduced benefit.

The System also provides death and disability benefits. The benefit provisions and all other requirements are established by State statute and Board ordinance.

NOTE M – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER – COMPONENT UNIT (Continued):

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

Funding Policy

Board employees are required to contribute percentages ranging from 4.7% to 4.8% of their annual salary to the System, except for the executive director's contribution which is paid by the Board. The Board is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended June 30, 2008, the Board's annual pension cost was \$527,664. The Board's actual contributions for 2008 were \$508,651. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% a year compounded annually, (b) projected salary increases ranging from 5.0% to 9.4% per year, attributable to inflation, and (c) 4.5% per year cost-of-living adjustments. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year trend information is stated below and ten-year trend information may be found on page 96.

Fiscal Year Ending June 30	Valuation Date December	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	2003	\$ 441,780	92%	\$ -
2007	2004	475,320	94%	-
2008	2005	527,664	96%	-

NOTE M – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER – COMPONENT UNIT (Continued):

Funded Status

The funded status of the Plan as of the three most recent actuarial valuation, is stated below, and ten-year funded status information may be found on page 96.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] Percentage of Covered Payroll
12/31/2005	\$ 22,841,639	\$ 28,767,850	\$ 5,926,211	79%	\$ 3,522,833	168%
12/31/2006	23,664,055	30,133,912	6,469,857	79%	3,467,875	187%
12/31/2007	24,434,918	31,629,590	7,194,672	77%	3,411,939	211%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE N – DEFINED CONTRIBUTION PENSION PLAN:

The City of Marquette provides pension benefits to Senior Management Division 15 and Middle Management Division 10 employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City established the MERS Benefit Program DS in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust, as amended by and as authorized by Section 19A of the Municipal Employees' Retirement System of Michigan Plan Document. The ICMA Retirement Corporation is the Plan Administrator and the City has agreed to the commingled investment of assets of the Plan within the ICMA Retirement Trust.

At June 30, 2008 there were 9 plan members. Plan members are required to contribute 3% of covered earnings and the City is required to contribute 13% or 9% of covered earnings for the Senior Management Division and Middle Management Division, respectively. In accordance with these requirements, the City contributed \$55,409 during the current year and employees contributed \$15,555. The employees under the Plan are immediately vested.

NOTE O – UPCOMING REPORTING CHANGE:

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2009.

NOTE P – DEFERRED COMPENSATION PLAN:

The City offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all Board of Light and Power employees and to all other City employees, and permit them to defer a portion of their current earnings until the employee's termination, retirement, death, or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The City's plans are administered by the Nationwide Retirement Solutions (formally known as PEBSCO), the International City Manager's Association (ICMA), American Express Financial Advisors, Inc. and the Variable Annuity Life Insurance Company (VALIC). Nationwide and ICMA, as plan administrators, agree to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide or ICMA or their respective agents failure to perform their duties and services pursuant to the ICMA and Nationwide programs.

The Component Unit's (Board of Light and Power's) plans are administered by the ICMA and Nationwide. ICMA and Nationwide, as plan administrators, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from ICMA or nationwide or their agents' failure to perform their duties and services pursuant to the ICMA and Nationwide programs.

NOTE Q – ACCUMULATED COMPENSATED ABSENCES:

Sick Leave – Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon retirement or termination, employees in good standing after at least ten (10) years of service shall be paid one-half such sick leave accumulated at that time up to a maximum accrual of 1,800 hours at their current rate of pay. Certain bargaining unit employees who were hired before January 1, 1975, shall be paid one-half of all sick leave hours accumulated at the time of retirement or termination. Management employees whose accrued sick leave balances were greater than 1,800 hours for the pay period of June 9, 1997 through June 22, 1997 have their sick leave balance capped at the higher hours for payout purposes at the time of retirement or termination. Management employees hired after June 30, 1998, have their accrued sick leave balance capped at 1,000 hours for payout purpose at the time of retirement or termination.

Vacation Leave – Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement or termination, employees are paid for such vacation accumulated at that time up to a maximum accrual of 400 hours. Certain supervisory employees are paid for such vacation

NOTE Q – ACCUMULATED COMPENSATED ABSENCES (Continued):

accumulated at that time up to a maximum accrual of 408 hours. Management employees whose accrued vacation balances were greater than 400 hours for the pay period of June 9, 1997 through June 22, 1997 have their vacation balance capped at the higher hours for payout purposes at the time of retirement or termination. Management employees hired after June 30, 1998 have a maximum accrual of 200 vacation hours for payout purposes at the time of retirement or termination. Fire and Police employees are paid for all accrued vacation hours accumulated at the time of retirement or termination up to certain capped levels.

Benefit Day Leave – Effective December 11, 2000, all new hired Department Heads of Middle Managers earn benefit leave dependent upon their length of employment, Current Department Heads and Middle Managers at that time had the option of remaining under the regular Vacation and Sick Leave or electing the Benefit Leave. If the Benefit Leave was elected, their accumulated vacation and sick leave was converted to benefit leave. Vacation leave was converted on a one for one basis while sick leave was converted on a two for one basis. By December 31 of every year, these employees have the option of being paid for accumulated benefit leave not to exceed 5% of their annual base pay, provided they maintain a minimum of 232.5 benefit hours. These employees have their benefit leave capped at 1,100 hours for payout purposes at the time of retirement or termination.

The liabilities for accumulated, unpaid vacation, sick and benefit leave at June 30, 2008 are as follows:

	Benefit Leave and Vacation	Sick	Total
PRIMARY GOVERNMENT:			
Current portion	\$ 901,671	\$ -	\$ 901,671
Long-term portion	310,233	501,193	811,426
TOTAL	<u>\$ 1,211,904</u>	<u>\$ 501,193</u>	<u>\$ 1,713,097</u>
COMPONENT UNIT:			
Current portion	\$ 468,900	\$ 401,926	\$ 870,826
Long-term portion	62,818	41,696	104,514
TOTAL	<u>\$ 531,718</u>	<u>\$ 443,622</u>	<u>\$ 975,340</u>

NOTE R – CONTINGENCIES:

There exists certain lawsuits pending in which the City is involve. The City attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

NOTE S – JOINT VENTURE – MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY:

In June of 1988, the City of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (“Authority”). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as, a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, and to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

As required by Governmental Accounting Standards Board Statement No. 14, the City’s investment in this joint venture is recorded as an asset. The audited financial statements for the Marquette County Solid Waste management Authority can be obtained at P.O. Box 936, Marquette, Michigan 49855.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission, three (3) members designated by the Marquette County Board of Commissioners, and one (1) resident of the City of

Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The City’s share of assets, liabilities, and fund equity is approximately 31%. Summary financial information as of and for the fiscal year ended June 30, 2008, the latest available report, is as follows:

Total Assets	\$ 13,476,637
Total Liabilities	1,957,716
Total Net Assets	11,518,921
Total Operating Revenues	2,467,974
Total Operating Expenses	2,824,982
Total Joint Venture’s Outstanding Debt	270,000

The City has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, 1993B Issue, Refunding Bonds. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The obligation to pay a proportionate share of the principal and interest is a general obligation of each constituent municipality. Each member is authorized and obligated to levy a tax without limitation as to rate or amount for the prompt payment of its respective share of the obligation. The City has elected to pay its share of the debt through tax levies.

NOTE S – JOINT VENTURE – MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY (Continued):

The proportionate share of the debt service for the City will be included in the General Fund debt service expenditures in future years. The City's proportionate share, as based on a 1990 census, is approximately 31% as of June 30, 2008.

NOTE T – RISK MANAGEMENT

The City of Marquette is exposed to various risks of loss related to property, loss, torts, errors and omissions, and employee injuries (workmen's compensation). As of July 1, 1997, the City participates in the Michigan Municipal League Property and Liability Pool for claims relating to other liability and property claims and participates in the Michigan Municipal Workers Compensation Pool for employee injury claims.

The Michigan Municipal League risk pool programs operate as common risk-sharing/management programs for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The City's maximum deductible for property and liability coverage is \$75,000 per occurrence, subject to \$250,000 aggregate per policy year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City purchases commercial health care insurance from Blue Cross/Blue Shield of Michigan for all employees, including retired employees.

NOTE U – OTHER POST EMPLOYMENT BENEFITS:

The City offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the City. The amount paid for former City employees for the fiscal year ended June 30, 2008 was \$241,118. There were 132 participants eligible to receive benefits and 48 are participating. This benefit is accounted for on the "pay-as-you-go" method, whereby the City is reporting the amounts paid as expenditures in the year the amounts are paid for the benefit provided. The amount paid for the component unit (Board of Light and Power) employees for the year ended June 30, 2008 was \$976,768. There were 90 participants eligible and receiving benefits.

NOTE V – SINGLE AUDIT:

The City's audited financial statements report a total amount of federal expenditures that is more than the Single Audit threshold of \$500,000. The City, therefore, is required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2008.

NOTE W – CONSTRUCTION IN PROGRESS:

The City has active construction projects as of June 30, 2008. The projects include street construction and reconstruction in areas where the sanitary sewer system is being repaired, and other various street reconstruction and street improvement projects throughout the City, as well as land and building improvement projects. At year end, The City's total construction in progress expenditures in the governmental funds totaled \$9,400,232 with anticipated future expenditures of these projects amount to \$2,654,719. The reconstruction of streets due to the sanitary sewer repair is being financed with the issue of the 2007 High Street Bonds, and a portion of the various street repairs are being financed with the issue of the 2006 Limited Tax General Obligation Bonds.

City of Marquette, Michigan

REQUIRED SUPPLEMENTARY INFORMATION

City of Marquette, Michigan

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
DEFINED BENEFIT PENSION PLAN
ANALYSIS OF FUNDING INFORMATION**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b - a) Unfunded Accrued Liability (UAL)	(a / b) Funded Ratio	(c) Annual Covered Payroll	[(b - a) / c] UAL as a Percentage of Covered Payrol
1998	\$ 15,257,550	\$ 16,216,678	\$ 959,128	94%	\$ 5,031,270	19%
1999	16,969,765	17,430,314	460,549	97%	4,909,541	9%
2000	18,722,203	20,136,439	1,414,236	93%	4,803,572	29%
2001	20,056,537	23,113,321	3,056,784	87%	5,039,800	61%
2002	20,799,934	24,588,188	3,788,254	85%	5,227,706	72%
2003	22,629,322	25,997,838	3,368,516	87%	5,393,986	62%
2004	24,187,555	28,468,133	4,280,578	85%	5,426,755	79%
2005	25,645,477	33,158,414	7,512,937	77%	5,435,528	159%
2006	26,951,096	36,475,540	9,524,444	74%	5,264,612	183%
2007	28,414,859	38,247,393	9,832,534	74%	5,454,443	182%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	1996	\$ 295,912	100%	\$ -
2000	1997	424,066	100%	-
2001	1998	381,485	100%	-
2002	1999	399,053	100%	-
2003	2000	456,453	100%	-
2004	2001	521,245	100%	-
2005	2002	545,201	100%	-
2006	2003	625,812	100%	-
2007	2004	700,844	100%	-
2008	2005	858,658	100%	-

NOTES TO THE REQUIRED SCHEDULES

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

City of Marquette, Michigan

**FIRE - POLICE RETIREMENT SYSTEM
ANALYSIS OF FUNDING INFORMATION**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b - a) Unfunded Accrued Liability (UAL)	(a / b) Funded Ratio	(c) Annual Covered Payroll	[(b - a) / c] UAL as a Percentage of Covered Payroll
1998	\$ 22,301,497	\$ 17,189,981	\$ (5,111,516)	130%	\$ 2,248,447	227%
1999	24,690,249	18,070,456	(6,619,793)	137%	2,381,956	277%
2000	26,681,186	18,922,286	(7,758,900)	141%	2,477,522	313%
2001	27,995,675	20,310,485	(7,685,190)	138%	2,595,193	296%
2002	27,832,278	22,046,809	(5,785,469)	126%	2,669,333	216%
2003	27,564,327	23,337,401	(4,226,926)	118%	2,717,024	156%
2004	27,258,447	24,686,419	(2,572,028)	110%	288,945	89%
2005	26,904,310	26,794,398	(109,912)	100%	2,782,910	4%
2006	27,011,210	27,763,814	752,604	97%	2,798,271	27%
2007	28,295,125	28,894,461	599,336	98%	2,788,773	22%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	\$ 220,008 @	100%	\$ -
1999	202,247 @	100%	-
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	-	-	-
2004	-	-	-
2005	207,854 @	100%	-
2006	365,370 @	100%	-
2007	587,824 @	100%	-

@ In each the employer contributes exactly the actual dollar amount recommended by the actuary plus 5.0% of the actual pay during the fiscal year of both the fire chief and police chief.

NOTES TO THE REQUIRED SCHEDULES

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00% to 3.50% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis. The amortization period on December 31, 2005 was 21 years for police and 20 years for fire.

City of Marquette, Michigan

MARQUETTE BOARD OF LIGHT AND POWER
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
DEFINED BENEFIT PENSION PLAN
ANALYSIS OF FUNDING INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b - a) Unfunded Accrued Liability (UAL)	(a / b) Funded Ratio	(c) Annual Covered Payroll	[(b - a) / c] UAL as a Percentage of Covered Payroll
1998	\$ 16,434,707	\$ 14,847,465	\$ (1,587,241)	111%	\$ 3,545,675	0%
1999	18,484,644	17,553,732	(930,912)	105%	3,431,413	0%
2000	20,201,860	21,432,284	1,230,424	94%	3,585,217	34%
2001	21,249,595	22,508,331	1,258,736	94%	3,720,528	34%
2002	21,204,453	23,824,315	2,619,862	89%	3,577,979	73%
2003	21,931,156	26,001,957	4,070,801	84%	3,911,098	104%
2004	22,438,510	27,151,787	4,713,277	83%	3,599,278	131%
2005	22,841,639	28,767,850	5,926,211	79%	3,522,833	168%
2006	23,664,055	30,133,912	6,469,857	79%	3,467,875	187%
2007	24,434,918	31,629,590	7,194,672	77%	3,411,939	211%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	1996	\$ 249,208	61%	\$ 98,199
2000	1997	213,168	225%	-
2001	1998	229,444	164%	-
2002	1999	277,151	100%	-
2003	2000	276,564	100%	-
2004	2001	271,728	100%	-
2005	2002	352,968	100%	-
2006	2003	441,780	100%	-
2007	2004	475,320	100%	-
2008	2005	527,664	100%	-

NOTES TO THE REQUIRED SCHEDULES

Commencing with the 1993 actuarial valuation, the required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included **(a)** a rate of return on investment of present and future assets of 8.0% per year, compounded annually, **(b)** projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and **(c)** additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

City of Marquette, Michigan

MAJOR GOVERNMENTAL FUNDS

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes.

MAJOR STREET AND TRUNKLINE FUND AND LOCAL STREET FUND

Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues included general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

CAPITAL PROJECTS FUND

The function of the Capital Projects Fund is to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds. The modified accrual basis of accounting is used in recording Capital Projects Fund transactions. This fund records the development, improvement, and rehabilitation of City infrastructure. Operating transfers have financed the current projects.

City of Marquette, Michigan

GENERAL FUND

COMPARATIVE BALANCE SHEET

June 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 592,485	\$ 760,352
Investments	3,511,969	3,260,231
Receivables:		
Taxes:		
Current	8,254,019	8,211,900
Delinquent	13,528	15,602
Accounts	209,028	219,073
Special assessment	195,033	239,217
Allowance for uncollectible accounts	(7,489)	(24,924)
Due from other funds	166,787	157,493
Due from component units	117,442	117,442
Due from other governments:		
County	135,342	14,554
State	388,432	284,935
Due from other authorities	3,374,587	3,396,303
Inventories	81,235	93,630
Prepaid expenditures	7,423	38,176
TOTAL ASSETS	<u><u>\$ 17,039,821</u></u>	<u><u>\$ 16,783,984</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	271,585	203,664
Retainages payable	3,066	2,759
Accrued compensated absences	610,627	687,782
Due to other funds	-	845,704
Due to State	2,906	108
Due to local units	6,626	5,195
Deferred revenue on property taxes receivable:		
Current	8,254,019	8,224,317
Deferred revenue	210,033	239,217
TOTAL LIABILITIES	<u>9,358,862</u>	<u>10,208,746</u>
Fund Balance:		
Reserved for:		
Prepaid expenditures	7,423	38,176
Inventories	81,235	93,630
Encumbrances	66,765	231,113
Unreserved	7,525,536	6,212,319
TOTAL FUND BALANCE	<u>7,680,959</u>	<u>6,575,238</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 17,039,821</u></u>	<u><u>\$ 16,783,984</u></u>

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Property Taxes:				
Real property tax	\$ 7,411,330	\$ 7,372,848	\$ (38,482)	\$ 6,943,887
Personal property tax	536,405	542,236	5,831	377,496
Interest and penalty on taxes	38,000	44,139	6,139	34,986
Administrative collection fees	235,260	240,585	5,325	223,129
Total Property Taxes	8,220,995	8,199,808	(21,187)	7,579,498
Industrial Facilities Tax Act	24,680	24,680	-	30,953
Payments in Lieu of Taxes:				
MSHDA	-	(9,190)	(9,190)	(33,402)
Light and Power Fund	1,497,412	1,564,527	67,115	1,406,146
Public Housing Authority	-	11,683	11,683	14,298
Sault Tribe Housing Authority	-	1,500	1,500	1,500
Marquette Area Wastewater Treatment Facility	114,492	114,492	-	77,301
Orianna Ridge	-	17,142	17,142	16,606
Whetstone	-	13,133	13,133	13,008
Snowberry	-	40,540	40,540	27,109
Water and Sewage Disposal Fund	894,096	894,049	(47)	853,413
Total Payment in Lieu of Taxes	2,506,000	2,647,876	141,876	2,375,979
Federal and State Grants:				
UPSET	34,000	24,496	(9,504)	33,727
State Home Care Service	26,775	25,163	(1,612)	28,624
Community Mental Health Allocation	5,550	2,318	(3,232)	5,635
FEMA-Fire Safety	12,115	13,410	1,295	-
Fire Minigrants	1,000	1,000	-	500
Lighthouse Restoration	-	-	-	3,600
RR Trestle Grant	185,000	123,619	(61,381)	-
Traffic Safety	5,000	-	(5,000)	-
Department of Natural Resources - Snowmobile grant	9,000	4,008	(4,992)	-
DNR - Recreation Bike Path	-	17,507	17,507	-
Livescan Fingerprint System - federal	-	-	-	20,000
Livescan Fingerprint System - state	-	-	-	3,000
DDA MQT Commons Ice Rink passthrough	10,900	10,878	(22)	235,704
Council for Arts & Cultural - federal	-	4,900	4,900	15,900
Council for Arts & Cultural - state	20,000	8,450	(11,550)	-
Total Federal and State Grants	309,340	235,749	(73,591)	346,690
State-Shared Revenues:				
Fire protection - State facility	200,000	171,509	(28,491)	235,345
Sales and use tax	2,100,000	2,384,061	284,061	2,055,332
Liquor licenses	22,000	55,937	33,937	22,172
Total State-Shared Revenues	2,322,000	2,611,507	289,507	2,312,849

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
Intergovernmental Revenues:				
NMPSA	\$ 9,800	\$ 9,710	\$ (90)	\$ 10,168
MCCOA allocation - senior services	122,880	185,572	62,692	113,724
MCCOA allocation - match	30,265	-	(30,265)	28,318
Tribal Revenue Sharing	10,000	10,000	-	10,000
Total Intergovernmental Revenues	172,945	205,282	32,337	162,210
Licenses and Permits:				
Business licenses and permits	3,500	5,286	1,786	5,001
Nonbusiness licenses and permits	24,915	28,068	3,153	28,573
Total Licenses and Permits	28,415	33,354	4,939	33,574
Charges for Services:				
Fees	263,610	284,418	20,808	304,851
Garbage transfer and disposal fees	1,340,000	1,449,956	109,956	1,255,621
Cemetery foundations and grave openings	34,000	38,397	4,397	36,969
Services to other funds	1,770,215	1,560,395	(209,820)	1,885,788
Total Charges for Services	3,407,825	3,333,166	(74,659)	3,483,229
Sales:				
Cemetery lot use	20,500	17,125	(3,375)	20,975
Travel trailer facility concessions and other	7,500	7,384	(116)	7,153
Total Sales	28,000	24,509	(3,491)	28,128
Use and Admission Fees:				
Community Center use	17,000	16,994	(6)	19,052
Travel trailer facility use	133,000	116,567	(16,433)	124,302
Ballfields	11,500	13,927	2,427	8,004
Skiing use/passes	150	135	(15)	148
Parking fees	16,000	14,688	(1,312)	15,908
Art center and theater	58,000	51,816	(6,184)	63,596
Total Use and Admission Fees	235,650	214,127	(21,523)	231,010
Fines and forfeits	88,500	143,942	55,442	99,652

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
Rentals:				
Land and building rental	\$ 20,900	\$ 17,605	\$ (3,295)	\$ 24,345
Parking rentals - lots	4,500	4,870	370	4,770
Equipment rent	19,045	30,897	11,852	27,834
Total Rentals	44,445	53,372	8,927	56,949
Special Assessments:				
Interest	17,850	17,244	(606)	12,949
Assessments levied	42,250	44,184	1,934	31,230
Total Special Assessments	60,100	61,428	1,328	44,179
Sale of capital assets	-	251,171	251,171	-
Contributions from private sources	84,500	103,756	19,256	124,718
Investment income	35,240	402,146	366,906	614,404
Reimbursements	126,500	268,727	142,227	49,910
Other Revenue	400,065	216,713	(183,352)	130,489
TOTAL REVENUES	18,095,200	19,031,313	936,113	17,704,421
EXPENDITURES:				
GENERAL GOVERNMENT:				
Central Administration:				
Personnel services	1,098,125	1,099,679	(1,554)	948,292
Supplies	43,300	35,165	8,135	32,946
Other services and charges	540,843	385,577	155,266	641,064
Capital outlay	-	-	-	5,995
Total Central Administration	1,682,268	1,520,421	161,847	1,628,297
Assessor:				
Personnel services	180,795	175,816	4,979	168,299
Supplies	6,500	6,768	(268)	5,580
Other services and charges	14,200	11,959	2,241	12,848
Total Assessor	201,495	194,543	6,952	186,727
Clerk:				
Personnel services	400,370	382,575	17,795	344,154
Supplies	8,200	7,071	1,129	7,319
Other services and charges	107,850	81,621	26,229	60,031
Total Clerk	516,420	471,267	45,153	411,504

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
Information Systems:				
Personnel services	\$ 293,940	\$ 288,146	\$ 5,794	\$ 250,198
Supplies	40,300	38,575	1,725	15,268
Other services and charges	177,975	168,914	9,061	109,157
Capital outlay	112,553	64,929	47,624	8,144
Total Information Systems	<u>624,768</u>	<u>560,564</u>	<u>64,204</u>	<u>382,767</u>
City Hall and Grounds:				
Personnel services	80,950	84,644	(3,694)	57,212
Supplies	24,400	30,180	(5,780)	12,002
Other services and charges	106,057	116,639	(10,582)	80,866
Capital outlay	126,500	33,327	93,173	92,170
Total City Hall and Grounds	<u>337,907</u>	<u>264,790</u>	<u>73,117</u>	<u>242,250</u>
Cemetery:				
Personnel services	123,305	107,802	15,503	116,113
Supplies	5,300	5,783	(483)	7,421
Other services and charges	48,453	50,131	(1,678)	45,705
Capital outlay	7,000	5,369	1,631	-
Total Cemetery	<u>184,058</u>	<u>169,085</u>	<u>14,973</u>	<u>169,239</u>
Other General Government:				
Insurance and Bonds:				
Bond issuance costs	-	13,238	13,238	-
Other services and charges	83,235	83,441	(206)	128,031
Total Other General Government	<u>83,235</u>	<u>96,679</u>	<u>13,032</u>	<u>128,031</u>
TOTAL GENERAL GOVERNMENT	<u>3,630,151</u>	<u>3,277,349</u>	<u>379,278</u>	<u>3,148,815</u>
PUBLIC HEALTH AND SAFETY:				
Police Department:				
Personnel services	2,891,005	2,826,819	64,186	2,702,453
Supplies	45,300	42,199	3,101	45,088
Other services and charges	253,940	317,741	(63,801)	201,948
Capital outlay	-	-	-	22,835
Total Police Department	<u>3,190,245</u>	<u>3,186,759</u>	<u>3,486</u>	<u>2,972,324</u>
Fire Department:				
Personnel services	1,871,175	1,837,824	33,351	1,789,189
Supplies	29,385	24,137	5,248	27,167
Other services and charges	168,055	185,177	(17,122)	162,924
Capital outlay	29,465	47,953	(18,488)	-
Total Fire Department	<u>2,098,080</u>	<u>2,095,091</u>	<u>2,989</u>	<u>1,979,280</u>
TOTAL PUBLIC HEALTH AND SAFETY	<u>5,288,325</u>	<u>5,281,850</u>	<u>6,475</u>	<u>4,951,604</u>

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
PUBLIC WORKS:				
Public Works Maintenance:				
Personnel services	\$ 1,695,635	\$ 1,691,144	\$ 4,491	\$ 1,558,280
Supplies	91,100	115,086	(23,986)	102,820
Other services and charges	613,196	811,504	(198,308)	647,537
Capital outlay	713,000	459,492	253,508	5,511
Total Public Works Maintenance	<u>3,112,931</u>	<u>3,077,226</u>	<u>35,705</u>	<u>2,314,148</u>
City Engineer:				
Personnel services	656,300	637,149	19,151	618,127
Supplies	12,700	13,110	(410)	9,389
Other services and charges	68,500	59,248	9,252	80,340
Capital outlay	30,000	29,546	454	13,463
Total City Engineer	<u>767,500</u>	<u>739,053</u>	<u>28,447</u>	<u>721,319</u>
TOTAL PUBLIC WORKS	<u>3,880,431</u>	<u>3,816,279</u>	<u>64,152</u>	<u>3,035,467</u>
SANITATION:				
Sanitation Services:				
Personnel services	113,035	92,803	20,232	111,340
Supplies	600	1,171	(571)	442
Other services and charges	1,312,710	1,331,656	(18,946)	1,119,109
TOTAL SANITATION SERVICES	<u>1,426,345</u>	<u>1,425,630</u>	<u>715</u>	<u>1,230,891</u>
SOCIAL SERVICES:				
Community Mental Health Allocation:				
Personnel services	10,195	3,359	6,836	14,848
Supplies	242	40	202	416
Other services and charges	803	197	606	704
Total Community Mental Health Allocation	<u>11,240</u>	<u>3,596</u>	<u>7,644</u>	<u>15,968</u>
State Home Care Service:				
Personnel services	45,140	40,696	4,444	40,500
Supplies	1,103	1,337	(234)	1,266
Other services and charges	2,095	2,038	57	1,590
Total State Home Care Service	<u>48,338</u>	<u>44,071</u>	<u>4,267</u>	<u>43,356</u>
MCCOA - Allocation to Senior Services:				
Personnel services	246,075	243,514	2,561	178,914
Supplies	2,917	1,992	925	3,235
Other charges and services	5,761	5,586	175	4,772
Total MCCOA - Allocation to Senior Services	<u>254,753</u>	<u>251,092</u>	<u>3,661</u>	<u>186,921</u>

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
MCCOA - Allocation to Match Grants:				
Personnel services	\$ -	\$ -	\$ -	\$ 31,674
Supplies	-	-	-	594
Other charges and services	-	-	-	1,260
Total MCCOA - Allocation to Match Grants	-	-	-	33,528
TOTAL SOCIAL SERVICES	314,331	298,759	15,572	279,773
RECREATION AND CULTURE:				
Parks and Recreation Administration:				
Personnel services	275,245	266,297	8,948	274,738
Supplies	16,900	21,171	(4,271)	24,666
Other services and charges	51,736	52,437	(701)	138,135
Capital outlay	1,204,400	200,676	1,003,724	64,500
Total Parks and Recreation Administration	1,548,281	540,581	1,007,700	502,039
Shiras Pool:				
Personnel services	20,215	5,609	14,606	13,304
Supplies	9,000	2,471	6,529	8,075
Other services and charges	10,025	11,131	(1,106)	7,214
Total Shiras Pool	39,240	19,211	20,029	28,593
TOTAL RECREATION AND CULTURE	1,587,521	559,792	1,027,729	530,632
DEBT SERVICE:				
Principal payments	89,700	89,486	214	84,915
Interest payments	14,450	14,424	26	18,574
TOTAL DEBT SERVICE	104,150	103,910	240	103,489
TOTAL EXPENDITURES	16,231,254	14,763,569	1,494,161	13,280,671
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,863,946	4,267,744	2,430,274	4,423,750

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
OTHER FINANCING SOURCES (USES):				
Issuance of debt	\$ 925,500	\$ 992,697	\$ 67,197	\$ -
Transfers In:				
Capital Projects Fund	-	-	-	81,965
Intermodal Transportation Fund	-	-	-	357,345
Special Trust Fund	300,000	-	(300,000)	-
Cemetery Trust Fund	20,000	19,549	(451)	11,009
Total Operating Transfers In	320,000	19,549	(300,451)	450,319
Transfers (Out):				
Major Street Fund	(672,015)	(618,897)	53,118	(757,456)
Local Street Fund	(601,070)	(1,026,295)	(425,225)	(681,269)
MSHDA Downtown Rental Fund	-	-	-	(35,801)
1998 Building Authority Lakeview Arena Debt Fund	(130,690)	(130,687)	3	(17,233)
Lakeview Arena Fund	(172,085)	(251,715)	(79,630)	(86,237)
2007 Street Bonds Debt Fund	(64,330)	(64,336)	(6)	(121,463)
Spring Street Debt Fund	(82,875)	(82,873)	2	(82,873)
Founders Landing Debt Fund	(310,080)	(310,079)	1	(293,829)
Forestland Debt Fund	(520,000)	(634,634)	(114,634)	(479,383)
High Street Debt Fund	(1,560)	-	1,560	-
Construction Fund	(932,495)	(679,958)	252,537	(81,534)
Motor Pool Fund	(820,435)	(374,795)	445,640	-
Marina Fund	(76,305)	-	76,305	(27,417)
Total Transfers (Out)	(4,383,940)	(4,174,269)	209,671	(2,664,495)
TOTAL OTHER FINANCING SOURCES (USES)	(3,138,440)	(3,162,023)	(23,583)	(2,214,176)
CHANGE IN FUND BALANCE	(1,274,494)	1,105,721	2,406,691	2,209,574
Fund balance, beginning of year	6,575,238	6,575,238	-	4,365,664
FUND BALANCE, END OF YEAR	\$ 5,300,744	\$ 7,680,959	\$ 2,406,691	\$ 6,575,238

City of Marquette, Michigan
MAJOR STREET AND TRUNKLINE FUND
COMPARATIVE BALANCE SHEET
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 762,967	\$ 2,371,207
Due from State	<u>175,428</u>	<u>166,293</u>
TOTAL ASSETS	<u><u>\$ 938,395</u></u>	<u><u>\$ 2,537,500</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 8,641	\$ 4,194
Due to other funds	<u>166,787</u>	<u>162,099</u>
TOTAL LIABILITIES	<u>175,428</u>	<u>166,293</u>
Fund Balance	<u>762,967</u>	<u>2,371,207</u>
TOTAL FUND BALANCE	<u>762,967</u>	<u>2,371,207</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 938,395</u></u>	<u><u>\$ 2,537,500</u></u>

City of Marquette, Michigan

MAJOR STREET AND TRUNKLINE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
State sources	\$ 2,079,045	\$ 1,526,293	\$ (552,752)	\$ 1,212,118
TOTAL REVENUES	<u>2,079,045</u>	<u>1,526,293</u>	<u>(552,752)</u>	<u>1,212,118</u>
EXPENDITURES:				
Highways, Streets and Bridges:				
Routine maintenance	513,090	384,114	128,976	435,803
Winter maintenance	515,650	430,201	85,449	388,819
State trunkline	103,550	60,951	42,599	73,003
Administration	282,810	293,590	(10,780)	340,637
Total Highways, Streets and Bridges	<u>1,415,100</u>	<u>1,168,856</u>	<u>246,244</u>	<u>1,238,262</u>
Capital Outlay - Construction:				
Construction	977,095	290,976	686,119	354,266
Total Capital Outlay - Construction	<u>977,095</u>	<u>290,976</u>	<u>686,119</u>	<u>354,266</u>
Debt Service:				
Principal retirement	320,530	320,530	-	306,986
Interest and fiscal charges	23,585	23,582	3	38,018
Total Debt Service	<u>344,115</u>	<u>344,112</u>	<u>3</u>	<u>345,004</u>
TOTAL EXPENDITURES	<u>2,736,310</u>	<u>1,803,944</u>	<u>932,366</u>	<u>1,937,532</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(657,265)</u>	<u>(277,651)</u>	<u>379,614</u>	<u>(725,414)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	940,000	846,135	(93,865)	-
Transfers in:				
General Fund	672,015	618,897	(53,118)	757,456
Transfers (out):				
Debt Service Fund	(114,750)	(114,749)	1	-
Construction Fund	(840,000)	(2,680,872)	(1,840,872)	(146,862)
TOTAL OTHER FINANCING SOURCES (USES)	<u>657,265</u>	<u>(1,330,589)</u>	<u>(1,987,854)</u>	<u>610,594</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>(1,608,240)</u>	<u>(1,608,240)</u>	<u>(114,820)</u>
Fund balance, beginning of year	<u>2,371,207</u>	<u>2,371,207</u>	<u>-</u>	<u>2,486,027</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,371,207</u></u>	<u><u>\$ 762,967</u></u>	<u><u>\$ (1,608,240)</u></u>	<u><u>\$ 2,371,207</u></u>

City of Marquette, Michigan

LOCAL STREET FUND

COMPARATIVE BALANCE SHEET

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 708,231	\$ -
Accounts receivable	501	-
Due from State	<u>54,741</u>	<u>55,785</u>
TOTAL ASSETS	<u><u>\$ 763,473</u></u>	<u><u>\$ 55,785</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 10,500	\$ 5,439
Due to other funds	<u>-</u>	<u>50,346</u>
TOTAL LIABILITIES	<u>10,500</u>	<u>55,785</u>
 Fund Balance	<u>752,973</u>	<u>-</u>
TOTAL FUND BALANCE	<u>752,973</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 763,473</u></u>	<u><u>\$ 55,785</u></u>

City of Marquette, Michigan

LOCAL STREET FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
State sources	\$ 515,000	\$ 487,155	\$ (27,845)	\$ 490,885
TOTAL REVENUES	515,000	487,155	(27,845)	490,885
EXPENDITURES:				
Highways, Streets and Bridges:				
Routine maintenance	427,200	422,741	4,459	416,686
Winter maintenance	476,785	434,830	41,955	374,406
Administration	250,290	266,606	(16,316)	236,044
Total Highways, Streets and Bridges	1,154,275	1,124,177	30,098	1,027,136
Capital Outlay - Construction:				
Construction	17,950	8,804	9,146	13,600
Total Capital Outlay - Construction	17,950	8,804	9,146	13,600
Debt Service:				
Principal retirement	34,475	34,470	5	33,014
Interest and fiscal charges	2,540	2,536	4	4,088
Total Debt Service	37,015	37,006	9	37,102
TOTAL EXPENDITURES	1,209,240	1,169,987	39,253	1,077,838
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(694,240)	(682,832)	11,408	(586,953)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	1,048,340	894,828	(153,512)	-
Transfers in- General Fund	601,070	1,026,295	425,225	681,269
Transfers (out) - Debt Service Fund	(66,830)	(66,778)	52	-
Transfers (out) - Construction Fund	(888,340)	(418,540)	469,800	(243,700)
TOTAL OTHER FINANCING SOURCES (USES)	694,240	1,435,805	741,565	437,569
CHANGE IN FUND BALANCE	-	752,973	752,973	(149,384)
Fund balance, beginning of year	-	-	-	149,384
FUND BALANCE, END OF YEAR	\$ -	\$ 752,973	\$ 752,973	\$ -

City of Marquette, Michigan
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 241,150	\$ 3,814,058
Accounts receivable	108,103	344,525
Due from other funds	-	1,693,175
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 349,253</u></u>	<u><u>\$ 5,851,758</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	<u>\$ 241,150</u>	<u>\$ 1,379,729</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>241,150</u>	<u>1,379,729</u>
 Fund Balance	<u>108,103</u>	<u>4,472,029</u>
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>108,103</u>	<u>4,472,029</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 349,253</u></u>	<u><u>\$ 5,851,758</u></u>

City of Marquette, Michigan

CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
State and Federal sources	\$ 51,083	\$ -	\$ (51,083)	\$ 41,503
Investment income	-	80,916	80,916	213,183
Special assessments	160,000	-	(160,000)	-
Other	-	4,253	4,253	-
TOTAL REVENUES	211,083	85,169	(125,914)	254,686
EXPENDITURES:				
Capital Outlay:				
Public works	125,043	149	124,894	384,781
Highways, streets and bridges	14,322,403	6,742,278	7,580,125	3,007,939
Other - Bond Issuance Costs	-	-	-	43,463
TOTAL EXPENDITURES	14,447,446	6,742,427	7,705,019	3,436,183
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,236,363)	(6,657,258)	7,579,105	(3,181,497)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	5,791,245	475,574	(5,315,671)	5,684,061
Transfers in:				
General Fund	932,495	679,958	(252,537)	81,534
Major Street Fund	840,000	2,680,872	1,840,872	146,862
Local Street Fund	888,340	418,540	(469,800)	243,700
Stormwater Utilitiy Fund	1,671,180	-	(1,671,180)	148,640
Water & Sewer Fund	3,936,354	-	(3,936,354)	1,072,438
Transfers (out):				
General Fund	-	-	-	(81,965)
Water & Sewer Fund	-	(1,961,612)	(1,961,612)	-
TOTAL OTHER FINANCING SOURCES	14,059,614	2,293,332	(11,766,282)	7,295,270
CHANGE IN FUND BALANCE	(176,749)	(4,363,926)	(4,187,177)	4,113,773
Fund balance, beginning of year	4,472,029	4,472,029	-	358,256
FUND BALANCE, END OF YEAR	\$ 4,295,280	\$ 108,103	\$ (4,187,177)	\$ 4,472,029

City of Marquette, Michigan

NONMAJOR GOVERNMENTAL FUNDS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions.

CRIMINAL JUSTICE TRAINING FUND: To account for the funds received from the State of Michigan for the purpose of ongoing training in the police department.

MSHDA DOWNTOWN RENTAL FUND: To account for the expenditures and revenues associated with the Michigan State Housing Development Authority Downtown Rental grant.

LAKEVIEW ARENA FUND: To record revenues and expenditures associated with the operation of the Lakeview Arena facility.

DEBT SERVICE FUNDS

The function of the Debt Service Funds is to account for the accumulation of resources and payment of general obligation principal and interest from the governmental resources. The modified accrual basis of accounting is used in recording Debt Service Fund transactions.

1998 BUILDING AUTHORITY MUNICIPAL CENTER DEBT SERVICE FUND: This fund was established in 1999 to account for the retirement of the 1998 Building Authority Refunding Bonds. These bonds, totaling \$4,535,000, were issued to advance refund a portion of the 1991 Building Authority Bonds.

1998 BUILDING AUTHORITY LAKEVIEW ARENA DEBT SERVICE FUNDS: This fund was established in 1999 to account for the retirement of the 1998 Building Authority Bonds – Lakeview Arena. These bonds, totaling \$1,000,000, were issued for the purpose of defraying the cost of renovating, constructing, furnishing, and equipping improvements to the existing Lakeview Arena building.

2003 FOUNDERS LANDING DEBT SERVICE FUND: This fund was established in 2004 to account for the retirement of the 2003 General Obligation Bonds. These bonds, totaling \$3,935,000, were issued for the purpose of reimbursing the City for certain costs relating to the acquisition of waterfront property for the City's park system, and paying the costs of designing, engineering, acquiring, preparing, constructing, and equipping various park improvements.

2004 SPRING STREET DEBT SERVICE FUND: This fund was established in 2004 to account for the annual payments on the State Infrastructure Bank Note. This note was originally issued for \$1,243,100 for the purpose of financing transportation infrastructure improvements through the County Road (CR) 550 Flood Repair and Spring Street Reconstruction project.

2007 STREET PROJECTS DEBT SERVICE FUND: This fund was established in 2006 to account for the annual payments on the 2006 Limited Tax General Obligation Street Improvements Bonds. These bonds were originally issued for \$5,475,000 for the purpose of paying all or part of the cost of making major and local street improvements throughout the City.

FORESTLAND DEBT SERVICE FUND: This fund was established in 2005 to account for the annual payments on the Forestland property purchase. These bonds were originally issued for \$5,000,000 for the purpose of financing property to be used for a recreation trail network and possible development. In 2007, these bonds were refunded by issuing \$5,135,000 in General Obligation Unlimited Tax Refunding Bonds, thus defeasing the original 2005 issue.

PERMANENT FUNDS

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions.

CEMETERY FUND: This fund is used to account for monies received for care of cemetery lots. The principal amount must be maintained intact and invested. Interest earnings are used to offset the City's cost of the cemetery maintenance.

City of Marquette, Michigan

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
ASSETS				
Cash and cash equivalents	\$ 80,063	\$ 298,078	\$ 54,567	\$ 432,708
Investments	-	-	531,375	531,375
Accounts receivable, net	15,864	-	-	15,864
TOTAL ASSETS	<u>\$ 95,927</u>	<u>\$ 298,078</u>	<u>\$ 585,942</u>	<u>\$ 979,947</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 14,403	\$ -	\$ -	\$ 14,403
TOTAL LIABILITIES	<u>14,403</u>	<u>-</u>	<u>-</u>	<u>14,403</u>
FUND BALANCE:				
Reserved for:				
Capital Outlay	45,036	-	-	45,036
Other	-	298,078	585,942	884,020
Unreserved, reported in:				
Special revenue funds	36,488	-	-	36,488
TOTAL FUND BALANCE	<u>81,524</u>	<u>298,078</u>	<u>585,942</u>	<u>965,544</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 95,927</u>	<u>\$ 298,078</u>	<u>\$ 585,942</u>	<u>\$ 979,947</u>

City of Marquette, Michigan

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
REVENUES:				
State and Federal sources	\$ 7,587	\$ -	\$ -	\$ 7,587
Charges for services	2,694	-	17,475	20,169
Sales	137,840	-	-	137,840
Admission and usage	408,273	-	-	408,273
Rentals	30,404	-	-	30,404
Investment income	217	-	19,645	19,862
Other	11,962	-	-	11,962
TOTAL REVENUES	598,977	-	37,120	636,097
EXPENDITURES:				
Current operations:				
Public health and safety	12,033	-	-	12,033
Community development	43,204	-	-	43,204
Recreation and culture	817,835	-	-	817,835
Debt service				
Professional and contractual	-	19,354	-	19,354
Retirement of principal	-	992,873	-	992,873
Interest and fiscal charges	-	846,252	-	846,252
TOTAL EXPENDITURES	873,072	1,858,479	-	2,731,551
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(274,095)	(1,858,479)	37,120	(2,095,454)
OTHER FINANCING SOURCES (USES):				
Transfers in	251,715	2,026,861	-	2,278,576
Transfers (out)	-	-	(19,549)	(19,549)
TOTAL OTHER FINANCING SOURCES (USES)	251,715	2,026,861	(19,549)	2,259,027
CHANGE IN FUND BALANCE	(22,380)	168,382	17,571	163,573
Fund balance, beginning of year	103,904	129,696	568,371	801,971
FUND BALANCE, END OF YEAR	\$ 81,524	\$ 298,078	\$ 585,942	\$ 965,544

City of Marquette, Michigan

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2008

	Criminal Justice Training Fund	MSHDA Downtown Rental Fund	Lakeview Arena Fund	Total
ASSETS				
Cash and cash equivalents	\$ 11,226	\$ 12,761	\$ 56,076	\$ 80,063
Accounts receivable, net	-	-	15,864	15,864
TOTAL ASSETS	<u>\$ 11,226</u>	<u>\$ 12,761</u>	<u>\$ 71,940</u>	<u>\$ 95,927</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 62	\$ -	\$ 14,341	\$ 14,403
TOTAL LIABILITIES	<u>62</u>	<u>-</u>	<u>14,341</u>	<u>14,403</u>
FUND BALANCE:				
Reserved for:				
Capital Outlay	-	-	45,036	45,036
Unreserved	11,164	12,761	12,563	36,488
TOTAL FUND BALANCE	<u>11,164</u>	<u>12,761</u>	<u>57,599</u>	<u>81,524</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,226</u>	<u>\$ 12,761</u>	<u>\$ 71,940</u>	<u>\$ 95,927</u>

City of Marquette, Michigan

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	Criminal Justice Training Fund	MSHDA Downtown Rental Fund	Lakeview Arena Fund	Total
REVENUES:				
Federal and State sources	\$ 7,587	\$ -	\$ -	\$ 7,587
Charges for services	-	-	2,694	2,694
Sales	-	-	137,840	137,840
Admission and usage	-	-	408,273	408,273
Rentals	-	-	30,404	30,404
Investment income	217	-	-	217
Other	-	10,573	1,389	11,962
TOTAL REVENUES	7,804	10,573	580,600	598,977
EXPENDITURES:				
Current operations:				
Public health and safety	12,033	-	-	12,033
Community development	-	43,204	-	43,204
Recreation and culture	-	-	817,835	817,835
TOTAL EXPENDITURES	12,033	43,204	817,835	873,072
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,229)	(32,631)	(237,235)	(274,095)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	251,715	251,715
TOTAL OTHER FINANCING SOURCES (USES)	-	-	251,715	251,715
CHANGES IN FUND BALANCE	(4,229)	(32,631)	14,480	(22,380)
Fund balance, beginning of year	15,393	45,392	43,119	103,904
FUND BALANCE, END OF YEAR	\$ 11,164	\$ 12,761	\$ 57,599	\$ 81,524

City of Marquette, Michigan
CRIMINAL JUSTICE TRAINING FUND
COMPARATIVE BALANCE SHEET
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	<u>\$ 11,226</u>	<u>\$ 15,969</u>
TOTAL ASSETS	<u><u>\$ 11,226</u></u>	<u><u>\$ 15,969</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	<u>\$ 61</u>	<u>\$ 576</u>
TOTAL LIABILITIES	<u>61</u>	<u>576</u>
Fund Balance	<u>11,165</u>	<u>15,393</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 11,226</u></u>	<u><u>\$ 15,969</u></u>

City of Marquette, Michigan

CRIMINAL JUSTICE TRAINING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
State sources	\$ 8,000	\$ 7,587	\$ (413)	\$ 7,743
Investment income	500	217	(283)	269
TOTAL REVENUES	<u>8,500</u>	<u>7,804</u>	<u>(696)</u>	<u>8,012</u>
EXPENDITURES:				
Public Health and Safety:				
Training	<u>23,450</u>	<u>12,033</u>	<u>11,417</u>	<u>8,270</u>
TOTAL EXPENDITURES	<u>23,450</u>	<u>12,033</u>	<u>11,417</u>	<u>8,270</u>
CHANGE IN FUND BALANCE	(14,950)	(4,229)	10,721	(258)
Fund balance, beginning of year	<u>15,393</u>	<u>15,393</u>	<u>-</u>	<u>15,651</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 443</u></u>	<u><u>\$ 11,164</u></u>	<u><u>\$ 10,721</u></u>	<u><u>\$ 15,393</u></u>

City of Marquette, Michigan
MSHDA DOWNTOWN RENTAL FUND
COMPARATIVE BALANCE SHEET
June 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	<u>\$ 12,761</u>	<u>\$ 45,392</u>
TOTAL ASSETS	<u><u>\$ 12,761</u></u>	<u><u>\$ 45,392</u></u>
 LIABILITIES AND FUND BALANCE		
Fund Balance:		
Unreserved	<u>\$ 12,761</u>	<u>\$ 45,392</u>
TOTAL FUND BALANCE	<u>12,761</u>	<u>45,392</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 12,761</u></u>	<u><u>\$ 45,392</u></u>

City of Marquette, Michigan

MSHDA DOWNTOWN RENTAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Federal sources	\$ -	\$ -	\$ -	\$ 57,191
Other	10,500	10,573	73	28,836
TOTAL REVENUES	<u>10,500</u>	<u>10,573</u>	<u>73</u>	<u>86,027</u>
EXPENDITURES:				
Community Development:				
Salaries and wages	-	-	-	13,300
Fringe benefits	-	-	-	2,514
Other services and charges	45,000	43,204	1,796	59,606
TOTAL EXPENDITURES	<u>45,000</u>	<u>43,204</u>	<u>1,796</u>	<u>75,420</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,500)</u>	<u>(32,631)</u>	<u>1,869</u>	<u>10,607</u>
OTHER FINANCING SOURCES:				
Transfers In	-	-	-	17,245
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,245</u>
CHANGE IN FUND BALANCE	<u>(34,500)</u>	<u>(32,631)</u>	<u>1,869</u>	<u>27,852</u>
Fund balance, beginning of year	45,392	45,392	-	17,540
FUND BALANCE, END OF YEAR	<u><u>\$ 10,892</u></u>	<u><u>\$ 12,761</u></u>	<u><u>\$ 1,869</u></u>	<u><u>\$ 45,392</u></u>

City of Marquette, Michigan

LAKEVIEW ARENA FUND

COMPARATIVE BALANCE SHEET

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 56,076	\$ -
Accounts receivable	15,864	62,108
Due from other funds	-	84,737
Prepaid expenses	<u>-</u>	<u>692</u>
TOTAL ASSETS	<u><u>\$ 71,940</u></u>	<u><u>\$ 147,537</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Cash overdraft	\$ -	\$ 89,201
Accounts payable	<u>14,341</u>	<u>15,217</u>
TOTAL LIABILITIES	<u>14,341</u>	<u>104,418</u>
 Fund Balance:		
Reserved for capital outlay	45,036	40,036
Unreserved	<u>12,563</u>	<u>3,083</u>
TOTAL FUND BALANCE	<u>57,599</u>	<u>43,119</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 71,940</u></u>	<u><u>\$ 147,537</u></u>

City of Marquette, Michigan

LAKEVIEW ARENA FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Charges for services	\$ 9,500	\$ 2,694	\$ (6,806)	\$ 5,905
Sales	150,000	137,840	(12,160)	149,835
Use and Admission Fees:				
Ice arena use	400,000	385,857	(14,143)	422,725
Arena events	25,000	22,416	(2,584)	26,657
Total Use and Admission Fees	425,000	408,273	(16,727)	449,382
Rentals	112,133	30,404	(81,729)	101,577
Other	-	1,389	1,389	1,977
TOTAL REVENUES	696,633	580,600	(116,033)	708,676
EXPENDITURES:				
Recreation and Culture:				
Personnel services	346,175	354,300	(8,125)	320,436
Supplies	49,851	47,435	2,416	98,188
Other services and charges	437,692	416,100	21,592	376,289
Total Recreation and Culture	833,718	817,835	15,883	794,913
Capital Outlay:				
Vehicles	35,000	-	35,000	-
Total Capital Outlay	35,000	-	35,000	-
TOTAL EXPENDITURES	868,718	817,835	50,883	794,913
EXCESS OF REVENUES (UNDER) EXPENDITURES	(172,085)	(237,235)	(65,150)	(86,237)
OTHER FINANCING SOURCES				
Transfers in- General Fund	172,085	251,715	79,630	86,237
TOTAL OTHER FINANCING SOURCES (USES)	172,085	251,715	79,630	86,237
CHANGE IN FUND BALANCE	-	14,480	14,480	-
Fund balance, beginning of year	43,119	43,119	-	43,119
FUND BALANCE, END OF YEAR	\$ 43,119	\$ 57,599	\$ 14,480	\$ 43,119

City of Marquette, Michigan

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2008

	1998 Municipal Center Fund	1998 Lakeview Arena Fund	2003 Founders Landing Fund	2004 Spring Street Fund	2007 Street Projects Fund	2008 High Street Fund	2007 Forest- land Fund	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,078	\$ 298,078
Accounts receivable	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,078</u>	<u>\$ 298,078</u>
LIABILITIES AND FUND BALANCE								
LIABILITIES:								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:								
Reserved for:								
Retirement of debt	-	-	-	-	-	-	298,078	298,078
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,078</u>	<u>298,078</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,078</u>	<u>\$ 298,078</u>

City of Marquette, Michigan

NONMAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	1998 Municipal Service Center Fund	1998 Arena Debt Service Fund	2003 Founders Landing Fund	2004 Spring Street Fund	2007 Street Projects Fund	2008 High Street Fund	2007 Forest- land Fund	Total
REVENUES:								
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-	-	-	-
EXPENDITURES:								
Debt service								
Professional and contractual	-	-	-	-	-	-	19,354	19,354
Principal retirement	190,000	125,000	170,000	82,873	275,000	-	150,000	992,873
Interest and fiscal charges	190,088	5,687	140,079	-	213,500	-	296,898	846,252
TOTAL EXPENDITURES	380,088	130,687	310,079	82,873	488,500	-	466,252	1,858,479
EXCESS OF REVENUES (UNDER) EXPENDITURES	(380,088)	(130,687)	(310,079)	(82,873)	(488,500)	-	(466,252)	(1,858,479)
OTHER FINANCING SOURCES:								
Issuance of Debt	-	-	-	-	-	-	-	-
Extinguishment of Debt	-	-	-	-	-	-	-	-
Transfers In	380,088	130,687	310,079	82,873	488,500	-	634,634	2,026,861
TOTAL OTHER FINANCING SOURCES	380,088	130,687	310,079	82,873	488,500	-	634,634	2,026,861
CHANGES IN FUND BALANCE	-	-	-	-	-	-	168,382	168,382
Fund balance, beginning of year	-	-	-	-	-	-	129,696	129,696
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,078</u>	<u>\$ 298,078</u>

City of Marquette, Michigan

1998 BUILDING AUTHORITY MUNICIPAL SERVICE CENTER - DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Debt Service:				
Principal	190,000	190,000	-	185,000
Interest and fiscal charges	190,100	190,088	12	198,413
TOTAL EXPENDITURES	<u>380,100</u>	<u>380,088</u>	<u>12</u>	<u>383,413</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(380,100)</u>	<u>(380,088)</u>	<u>12</u>	<u>(383,413)</u>
OTHER FINANCING SOURCES:				
Transfers in:				
Municipal Service Center Fund	380,100	380,088	(12)	383,413
TOTAL OTHER FINANCING SOURCES	<u>380,100</u>	<u>380,088</u>	<u>(12)</u>	<u>383,413</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Marquette, Michigan

1998 BUILDING AUTHORITY LAKEVIEW ARENA - DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Debt Service:				
Principal	125,000	125,000	-	110,000
Interest and fiscal charges	5,690	5,687	3	11,463
TOTAL EXPENDITURES	130,690	130,687	3	121,463
EXCESS OF REVENUES (UNDER) EXPENDITURES	(130,690)	(130,687)	3	(121,463)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	130,690	130,687	(3)	121,463
TOTAL OTHER FINANCING SOURCES	130,690	130,687	(3)	121,463
CHANGES IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

City of Marquette, Michigan

2003 FOUNDERS LANDING - DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Debt Service:				
Principal	170,000	170,000	-	150,000
Interest and fiscal charges	140,080	140,079	1	143,829
TOTAL EXPENDITURES	310,080	310,079	1	293,829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(310,080)	(310,079)	1	(293,829)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	310,080	310,079	(1)	293,829
TOTAL OTHER FINANCING SOURCES	310,080	310,079	(1)	293,829
CHANGES IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

City of Marquette, Michigan

2004 SPRING STREET - DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Debt Service:				
Principal	82,874	82,873	1	82,873
TOTAL EXPENDITURES	82,874	82,873	1	82,873
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(82,874)	(82,873)	1	(82,873)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	82,874	82,873	(1)	82,873
TOTAL OTHER FINANCING SOURCES	82,874	82,873	(1)	82,873
CHANGES IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

City of Marquette, Michigan

FY 07 STREET PROJECTS - DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Debt Service:				
Professional and contractual	-	-	-	-
Principal	275,000	275,000	-	-
Interest and fiscal charges	213,500	213,500	-	-
TOTAL EXPENDITURES	<u>488,500</u>	<u>488,500</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(488,500)</u>	<u>(488,500)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	64,330	64,336	6	-
Major Street	114,750	114,749	(1)	-
Local Street	66,780	66,778	(2)	-
Stormwater	242,640	242,637	(3)	-
TOTAL OTHER FINANCING SOURCES	<u>488,500</u>	<u>488,500</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Marquette, Michigan

HIGH STREET SRF2 - DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Debt Service:				
Professional and contractual	-	-	-	-
Principal	-	-	-	-
Interest and fiscal charges	108,000	-	108,000	-
TOTAL EXPENDITURES	108,000	-	108,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(108,000)	-	108,000	-
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	1,560	-	(1,560)	
Local Street Fund	50	-	(50)	
Stormwater Fund	27,610	-	(27,610)	
Water and Sewer Fund	78,780	-	(78,780)	-
TOTAL OTHER FINANCING SOURCES	108,000	-	(108,000)	-
CHANGES IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Marquette, Michigan

FORESTLAND - DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Debt Service:				
Professional and contractual	72,880	19,354	53,526	255,333
Principal	150,000	150,000	-	-
Interest and fiscal charges	<u>297,120</u>	<u>296,898</u>	<u>222</u>	<u>214,608</u>
TOTAL EXPENDITURES	<u>520,000</u>	<u>466,252</u>	<u>53,748</u>	<u>469,941</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(520,000)</u>	<u>(466,252)</u>	<u>53,748</u>	<u>(469,941)</u>
OTHER FINANCING SOURCES (USES):				
Bond Issuance	-	-	-	5,135,000
Premium on Bond Issuance	-	-	-	3,792
Payment to refunded bond escrow agent	-	-	-	(5,082,566)
Transfers in:				
General Fund	<u>520,000</u>	<u>634,634</u>	<u>114,634</u>	<u>479,383</u>
TOTAL OTHER FINANCING SOURCES	<u>520,000</u>	<u>634,634</u>	<u>114,634</u>	<u>535,609</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>168,382</u>	<u>168,382</u>	<u>65,668</u>
Fund balance, beginning of year	<u>129,696</u>	<u>129,696</u>	<u>-</u>	<u>64,028</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 129,696</u></u>	<u><u>\$ 298,078</u></u>	<u><u>\$ 168,382</u></u>	<u><u>\$ 129,696</u></u>

City of Marquette, Michigan
CEMETERY FUND
COMPARATIVE BALANCE SHEET
 June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 50,862	\$ 37,112
Investments	535,080	530,359
Accounts receivable	<u>-</u>	<u>900</u>
TOTAL ASSETS	<u><u>\$ 585,942</u></u>	<u><u>\$ 568,371</u></u>
 FUND BALANCE		
Reserved for Cemetery	<u>\$ 585,942</u>	<u>\$ 568,371</u>
TOTAL FUND BALANCE	<u><u>\$ 585,942</u></u>	<u><u>\$ 568,371</u></u>

City of Marquette, Michigan

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES:		
Charges for services	\$ 17,475	\$ 20,193
Investment income	<u>19,645</u>	<u>11,009</u>
TOTAL REVENUES	<u>37,120</u>	<u>31,202</u>
EXPENDITURES:		
Current operations:		
General government	<u>-</u>	<u>139</u>
TOTAL EXPENDITURES	<u>-</u>	<u>139</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>37,120</u>	<u>31,063</u>
OTHER FINANCING (USES):		
Transfers (out)	<u>(19,549)</u>	<u>(11,009)</u>
TOTAL OTHER FINANCING (USES)	<u>(19,549)</u>	<u>(11,009)</u>
CHANGE IN FUND BALANCE	17,571	20,054
Fund balance, beginning of year	<u>568,371</u>	<u>548,317</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 585,942</u></u>	<u><u>\$ 568,371</u></u>

City of Marquette, Michigan

ENTERPRISE FUNDS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges.

The accrual basis of accounting is used in recording Enterprise Fund transactions.

The Nonmajor Enterprise Fund of the City is the Marina Fund. The Major Enterprise Funds of the City are the Water Supply and Sewage Disposal, and the Stormwater Utility Funds.

MARINA FUND: To account for activity at the City operate marinas.

WATER SUPPLY AND SEWAGE DISPOSAL FUND: To account for water and sewer usage.

STORMWATER UTILITY FUND: To account for the management of stormwater related activities including billing, maintenance, and construction.

City of Marquette, Michigan

NONMAJOR ENTERPRISE FUND - MARINA FUND

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,508	\$ -
Accounts receivable	197	1,081
Inventory	16,961	16,961
Prepaid expense	<u>-</u>	<u>319</u>
TOTAL CURRENT ASSETS	<u>27,666</u>	<u>18,361</u>
Noncurrent Assets:		
Restricted Assets:		
Bond Reserve Fund	46,000	50,159
Bond and Interest Redemption Fund	<u>89,594</u>	<u>309,916</u>
Total Restricted Assets	<u>135,594</u>	<u>360,075</u>
Unamortized bond issue costs	5,285	6,165
Property, plant and equipment	3,774,597	3,774,597
Allowance for depreciation	<u>(1,708,683)</u>	<u>(1,574,378)</u>
TOTAL NONCURRENT ASSETS	<u>2,206,793</u>	<u>2,566,459</u>
TOTAL ASSETS	<u>2,234,459</u>	<u>2,584,820</u>
LIABILITIES		
Current Liabilities:		
Cash overdraft	-	35,217
Accounts payable	6,208	11,129
Due to other funds	-	142,256
Customer deposits payable	9,442	9,261
Current portion of long-term debt	75,000	70,000
Accrued interest	<u>2,604</u>	<u>3,100</u>
TOTAL CURRENT LIABILITIES	<u>93,254</u>	<u>270,963</u>
Noncurrent Liabilities:		
Bonds payable	385,000	460,000
Deferred amount on refunding	<u>(20,102)</u>	<u>(23,453)</u>
TOTAL NONCURRENT LIABILITIES	<u>364,898</u>	<u>436,547</u>
TOTAL LIABILITIES	<u>458,152</u>	<u>707,510</u>
NET ASSETS		
Invested in capital assets net of related debt	1,626,016	1,693,672
Unrestricted	<u>150,291</u>	<u>183,638</u>
TOTAL NET ASSETS	<u>\$ 1,776,307</u>	<u>\$ 1,877,310</u>

City of Marquette, Michigan

NONMAJOR ENTERPRISE FUND - MARINA FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
OPERATING REVENUES:				
Services	\$ 775	\$ 554	\$ (221)	\$ 674
Sales of supplies	95,000	87,974	(7,026)	105,331
Use and admission fees	30,531	28,768	(1,763)	30,497
Rentals	168,935	148,384	(20,551)	146,861
Other	400	2,629	2,229	1,475
TOTAL OPERATING REVENUES	295,641	268,309	(27,332)	284,838
OPERATING EXPENSES:				
Administrative and General Expenses:				
Personnel services	68,235	63,027	5,208	62,051
Professional services	86,174	26,788	59,386	26,282
Supplies	16,500	19,796	(3,296)	17,035
Utilities	13,200	15,769	(2,569)	13,399
Cost of sales	100,000	81,406	18,594	89,583
Other services and charges	13,785	15,376	(1,591)	28,770
Capital outlay	16,207	4,745	11,462	-
Amortization	930	881	49	881
Provision for depreciation	135,530	134,304	1,226	135,135
TOTAL OPERATING EXPENSES	450,561	362,092	88,469	373,136
OPERATING (LOSS)	(154,920)	(93,783)	61,137	(88,298)
NONOPERATING REVENUES (EXPENSES):				
Investment income	12,000	12,047	47	16,919
Interest expense	(16,415)	(19,267)	(2,852)	(21,250)
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,415)	(7,220)	(2,805)	(4,331)
(LOSS) BEFORE TRANSFERS	(159,335)	(101,003)	58,332	(92,629)
Transfers in	76,305	-	(76,305)	27,417
CHANGE IN NET ASSETS	(83,030)	(101,003)	(17,973)	(65,212)
Net assets, beginning of year	1,877,310	1,877,310	-	1,942,522
NET ASSETS, END OF YEAR	\$ 1,794,280	\$ 1,776,307	\$ (17,973)	\$ 1,877,310

City of Marquette, Michigan

NONMAJOR ENTERPRISE FUND - MARINA FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales and charges for services	\$ 266,564	283,342
Cash received from fines and fees	2,629	1,475
Cash payments to employees for services	(63,027)	(62,051)
Cash payments to suppliers for goods and services	<u>(168,797)</u>	<u>(171,510)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>37,369</u>	<u>51,256</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	-	27,417
Cash (outflow) - overdraft	(35,217)	35,217
(Decrease) in due to other funds	<u>(142,256)</u>	<u>(26,417)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(177,473)</u>	<u>36,217</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on bonds	(15,916)	(17,900)
Principal payments on bonds	<u>(70,000)</u>	<u>(70,000)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(85,916)</u>	<u>(87,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	12,047	16,918
Decrease in restricted assets - Marina bonds	<u>224,481</u>	<u>(16,891)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>236,528</u>	<u>27</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	10,508	(400)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>400</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 10,508</u></u>	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (93,783)	\$ (88,298)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	134,304	135,135
Amortization	881	881
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	884	(21)
(Increase) decrease in inventory	-	8,859
(Increase) decrease in prepaid expenses	319	17
Increase in deposits	181	530
Increase (decrease) in accounts payable	(4,921)	(5,847)
(Decrease) in accrued interest payable	<u>(496)</u>	<u>-</u>
NET ADJUSTMENTS	<u>131,152</u>	<u>139,554</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 37,369</u></u>	<u><u>\$ 51,256</u></u>

City of Marquette, Michigan

WATER SUPPLY AND SEWAGE DISPOSAL FUND

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,079,661	\$ 100,000
Delinquent utility bills on taxes	12,962	6,884
Customer deposits		
Accounts receivable - net	1,141,775	1,202,690
Special assessments receivable	20,332	23,971
Inventory	145,459	134,956
Prepaid expenses	-	4,206
TOTAL CURRENT ASSETS	<u>4,400,189</u>	<u>1,472,707</u>
Noncurrent Assets:		
Restricted Assets:		
Bond Reserve Fund	132,000	50,065
Replacement Maintenance Fund	390,000	390,000
Bond and Interest Redemption Fund	37,088	35,888
Water Filtration Reserve	503,830	1,114,774
Bond Escrow Fund	120,866	49,918
Vacation, Sick Leave and Benefit Days Reserve	166,965	151,559
Total Restricted Assets	<u>1,350,749</u>	<u>1,792,204</u>
Unamortized bond issuance cost	139,297	97,618
Property, plant and equipment	49,425,318	46,774,100
Allowance for depreciation	(15,256,937)	(14,107,570)
Construction in progress	899,592	1,970,614
Investment in Wastewater Facility	2,879,761	2,954,966
TOTAL NONCURRENT ASSETS	<u>39,437,780</u>	<u>39,481,932</u>
TOTAL ASSETS	<u>43,837,969</u>	<u>40,954,639</u>
LIABILITIES		
Current Liabilities:		
Cash overdraft	-	464,288
Accounts payable	122,840	197,647
Accrued compensated absences	166,965	151,559
Due to other funds	-	1,129,938
Customer deposits payable	234	(75)
Current portion of notes payable	22,343	21,289
Current portion of loan payable	-	145,000
Current portion of capitalized lease payable	120,866	120,866
Accrued interest payable	54,171	35,267
Deferred revenue - special assessment	20,332	23,971
Current portion of bonds payable from restricted assets	910,955	710,000
TOTAL CURRENT LIABILITIES	<u>1,418,706</u>	<u>2,999,750</u>
Noncurrent Liabilities:		
Bonds payable	8,157,001	4,960,000
Notes payable	48,441	70,730
Loan payable	2,890,000	3,040,000
Capitalized leases payable	-	120,866
Premium on refunding	42,517	47,832
Deferred amounts on refunding	(186,800)	(214,306)
TOTAL NONCURRENT LIABILITIES	<u>10,951,159</u>	<u>8,025,122</u>
TOTAL LIABILITIES	<u>12,369,865</u>	<u>11,024,872</u>
NET ASSETS		
Invested in capital assets net of related debt	23,183,516	25,856,599
Net Assets:		
Restricted for debt service	1,183,784	1,640,645
Unrestricted	7,100,804	2,432,523
TOTAL NET ASSETS	<u>\$ 31,468,104</u>	<u>\$ 29,929,767</u>

City of Marquette, Michigan

WATER SUPPLY AND SEWAGE DISPOSAL FUND

SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
OPERATING REVENUES:				
Water:				
Metered sales	\$ 2,115,620	\$ 2,005,209	\$ (110,411)	\$ 2,079,954
Sales to public authorities	64,970	66,963	1,993	63,368
Non-tax customers	1,401,130	1,277,678	(123,452)	1,316,718
City departments	39,100	49,581	10,481	42,378
Rentals	2,000	2,282	282	2,297
Miscellaneous income	160,438	146,387	(14,051)	101,653
Sewage Disposal:				
Metered sales	1,808,845	1,732,683	(76,162)	1,632,438
Sales to public authorities	49,485	44,612	(4,873)	41,749
Non-tax customers	804,350	818,818	14,468	755,564
City departments	16,845	14,252	(2,593)	13,981
Miscellaneous income	14,733	12,212	(2,521)	12,848
TOTAL OPERATING REVENUES	6,477,516	6,170,677	(306,839)	6,062,948
OPERATING EXPENSES:				
Administrative and General:				
Salaries and wages	98,000	104,756	(6,756)	145,782
Fringe benefits	44,850	34,418	10,432	297,109
Supplies	25,600	32,081	(6,481)	30,339
Professional and contractual	542,985	349,199	193,786	383,740
Communications	2,000	2,098	(98)	2,124
Insurance and bonds	57,600	58,434	(834)	54,949
Utilities	635	635	-	635
Maintenance	1,000	120	880	450
Rental	26,000	28,233	(2,233)	26,413
Miscellaneous	800	877	(77)	854
Uncollectible accounts	45,000	28,390	16,610	-
Provision for depreciation	1,000,000	1,149,367	(149,367)	1,082,520
Employee safety expense	100	-	100	596
Schooling	4,500	89	4,411	4,781
Payment in lieu of taxes	894,050	894,050	-	853,413
Amortization	9,100	10,670	(1,570)	9,083
Capital outlay	43,800	77,782	(33,982)	9,174
Total Administrative and General	2,796,020	2,771,199	24,821	2,901,962
Water Treatment and Distribution:				
Personnel services	1,063,935	1,017,706	46,229	648,338
Operating supplies	131,245	135,166	(3,921)	149,818
Professional and contractual	146,160	81,400	64,760	163,042
Communications	2,000	1,415	585	1,368
Utilities	196,500	194,619	1,881	187,791
Maintenance	6,500	5,401	1,099	4,360
Rental	257,200	236,664	20,536	240,757
Security upgrades	5,500	3,189	2,311	-
Schooling	1,500	1,173	327	629
Total Water Treatment and Distribution	1,810,540	1,676,733	133,807	1,396,103

City of Marquette, Michigan

WATER SUPPLY AND SEWAGE DISPOSAL FUND

SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
Sanitary Sewer Operation and Booster Stations:				
Personnel services	\$ 233,685	\$ 185,332	\$ 48,353	\$ 237,905
Operating supplies and repairs	46,500	38,123	8,377	49,394
Professional and contractual	452,497	81,638	370,859	280,718
Communications	9,200	8,275	925	6,786
Utilities	42,800	41,172	1,628	38,246
Purchased wastewater services	1,304,390	1,211,950	92,440	1,080,080
Rental	216,000	223,456	(7,456)	220,989
Total Sanitary Sewer Operation and Booster Stations	2,305,072	1,789,946	515,126	1,914,118
TOTAL OPERATING EXPENSES	6,911,632	6,237,878	673,754	6,212,183
OPERATING INCOME	(434,116)	(67,201)	366,915	(149,235)
NONOPERATING REVENUES (EXPENSES):				
Investment income	61,405	40,401	(21,004)	54,289
Federal grant	6,575	6,027	(548)	-
Sale of equipment	15,000	8,106	(6,894)	3,838
Interest expense	(229,175)	(335,403)	(106,228)	(300,290)
Operating income from Marquette Area Wastewater Treatment Facility	-	(75,205)	(75,205)	(37,589)
TOTAL NONOPERATING REVENUES (EXPENSES)	(146,195)	(356,074)	(209,879)	(279,752)
INCOME (LOSS) BEFORE TRANSFERS	(580,311)	(423,275)	157,036	(428,987)
Transfer in (out)	(78,780)	1,961,612	2,040,392	(1,072,438)
CHANGE IN NET ASSETS	(659,091)	1,538,337	2,197,428	(1,501,425)
Net assets, beginning of year	29,929,767	29,929,767	-	31,431,192
NET ASSETS, END OF YEAR	\$ 29,270,676	\$ 31,468,104	\$ 2,197,428	\$ 29,929,767

City of Marquette, Michigan

STORMWATER UTILITY FUND

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,335,188	\$ -
Accounts receivable	624,255	565,200
Allowance for uncollectible accounts	(579,641)	(493,995)
Prepaid expense	<u>-</u>	<u>179</u>
TOTAL CURRENT ASSETS	<u>1,379,802</u>	<u>71,384</u>
Noncurrent Assets:		
Restricted Assets:		
Bond Reserve Fund	48,737	259,675
Bond Escrow Fund	33,972	38,648
Vacation, Sick Leave, and Benefit Days Reserve	<u>7,377</u>	<u>6,511</u>
Total Restricted Assets	<u>90,086</u>	<u>304,834</u>
Unamortized bond issuance cost	43,277	31,510
Property, plant and equipment	6,882,569	6,821,450
Allowance for depreciation	(1,779,879)	(1,505,180)
Construction work in progress	<u>-</u>	<u>54,031</u>
TOTAL NONCURRENT ASSETS	<u>5,236,053</u>	<u>5,706,645</u>
TOTAL ASSETS	<u>6,615,855</u>	<u>5,778,029</u>
LIABILITIES		
Current Liabilities:		
Cash overdraft	-	53,249
Accounts payable	484	1,523
Accrued compensated absences	7,377	6,511
Due to other funds	-	150,140
Accrued interest payable	9,623	5,386
Current portion of long-term debt	<u>341,330</u>	<u>255,000</u>
TOTAL CURRENT LIABILITIES	<u>358,814</u>	<u>471,809</u>
Noncurrent Liabilities:		
Bonds payable	<u>1,907,055</u>	<u>565,000</u>
TOTAL NONCURRENT LIABILITIES	<u>1,907,055</u>	<u>565,000</u>
TOTAL LIABILITIES	<u>2,265,869</u>	<u>1,036,809</u>
NET ASSETS		
Invested in capital assets net of related debt	2,854,305	4,550,301
Net Assets:		
Restricted for debt service	82,709	298,323
Unrestricted	<u>1,412,972</u>	<u>(107,404)</u>
TOTAL NET ASSETS	<u>\$ 4,349,986</u>	<u>\$ 4,741,220</u>

City of Marquette, Michigan

STORMWATER UTILITY FUND

SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
OPERATING REVENUES:				
General customers	\$ 469,960	\$ 427,287	\$ (42,673)	\$ 442,750
Public authorities	27,985	28,321	336	26,440
Non-tax customers	159,380	174,779	15,399	165,157
City departments	258,195	232,115	(26,080)	231,860
Other charges for service	1,000	303	(697)	1,756
TOTAL OPERATING REVENUES	916,520	862,805	(53,715)	867,963
OPERATING EXPENSES:				
Routine Maintenance and Administration:				
Salaries and wages	146,020	131,294	14,726	148,338
Fringe benefits	80,065	63,842	16,223	78,043
Office supplies	900	509	391	190
Maintenance supplies	17,500	11,084	6,416	13,952
Professional and contractual	189,240	184,775	4,465	180,649
Rental vehicles	103,000	116,770	(13,770)	125,982
Utilities	625	625	-	450
Amortization	8,405	10,503	(2,098)	10,503
Uncollectible accounts	30,000	85,721	(55,721)	-
Capital outlay	56,713	13,439	43,274	7,721
Provision for depreciation	250,000	274,699	(24,699)	272,254
Miscellaneous	96,775	94,268	2,507	300
TOTAL OPERATING EXPENSES	979,243	987,529	(8,286)	838,382
OPERATING INCOME (LOSS)	(62,723)	(124,724)	(62,001)	29,581
NONOPERATING REVENUES (EXPENSES):				
Investment income	2,000	9,295	7,295	1,963
Interest expense	(41,000)	(45,236)	(4,236)	(53,250)
State and Federal grants	6,713	12,068	5,355	25,057
TOTAL NONOPERATING REVENUES (EXPENSES)	(32,287)	(23,873)	8,414	(26,230)
INCOME (LOSS) BEFORE TRANSFERS	(95,010)	(148,597)	(53,587)	3,351
Transfers in/(out)	(270,250)	(242,637)	27,613	(148,640)
CHANGE IN NET ASSETS	(365,260)	(391,234)	(25,974)	(145,289)
Net assets, beginning of year	4,741,220	4,741,220	-	4,886,509
NET ASSETS, END OF YEAR	\$ 4,375,960	\$ 4,349,986	\$ (25,974)	\$ 4,741,220

City of Marquette, Michigan

INTERNAL SERVICE FUNDS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

The function of the Internal Service Funds is to account for funds that are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

MOTOR VEHICLE EQUIPMENT FUND: To operate as a self-supporting fund, which will be responsible for the maintenance and purchasing of vehicles and equipment utilized in various departments of the City.

MUNICIPAL SERVICE CENTER FUND: To accumulate the expenses and revenues associated with the operation of the Municipal Service Center. Building space is rented to various funds based on a square foot occupancy rate.

City of Marquette, Michigan
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2008

	Motor Vehicle Equipment Fund	Municipal Service Center Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 161	\$ 251,070	\$ 251,231
Due from local units	1,190	-	1,190
Inventory	36,194	-	36,194
TOTAL CURRENT ASSETS	37,545	251,070	288,615
Noncurrent Assets:			
Restricted Assets:			
Replacement and maintenance fund	681,171	-	681,171
Vacation, sick leave and benefit reserve	108,881	7,821	116,702
Total Restricted Assets	790,052	7,821	797,873
Land and land improvements	-	251,454	251,454
Property, plant, and equipment	8,991,972	6,939,361	15,931,333
Accumulated depreciation	(6,309,781)	(3,189,966)	(9,499,747)
TOTAL NONCURRENT ASSETS	3,472,243	4,008,670	7,480,913
TOTAL ASSETS	3,509,788	4,259,740	7,769,528
LIABILITIES			
Current Liabilities:			
Accounts payable	15,512	7,061	22,573
Accrued compensated absences	108,881	7,821	116,702
TOTAL CURRENT LIABILITIES	124,393	14,882	139,275
TOTAL LIABILITIES	124,393	14,882	139,275
NET ASSETS			
Invested in capital assets net of related debt	2,682,191	4,000,849	6,683,040
Net Assets:			
Unrestricted	703,204	244,009	947,213
TOTAL NET ASSETS	\$ 3,385,395	\$ 4,244,858	\$ 7,630,253

City of Marquette, Michigan

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2008

	Motor Vehicle Equipment Fund	Municipal Service Center Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 2,380,564	\$ 734,000	\$ 3,114,564
Other	35,651	38,270	73,921
TOTAL OPERATING REVENUES	2,416,215	772,270	3,188,485
OPERATING EXPENSES:			
General and administrative	638,135	321,449	959,584
Depreciation	497,500	219,501	717,001
Vehicle operating expenses	1,214,493	-	1,214,493
TOTAL OPERATING EXPENSES	2,350,128	540,950	2,891,078
OPERATING INCOME (LOSS)	66,087	231,320	297,407
NON-OPERATING REVENUES:			
Investment income	22,052	4,710	26,762
Gain on sale of capital assets	(15,689)	-	(15,689)
TOTAL NON-OPERATING REVENUES	6,363	4,710	11,073
INCOME (LOSS) BEFORE TRANSFERS	72,450	236,030	308,480
Transfers in/(out)	374,795	(380,088)	(5,293)
CHANGE IN NET ASSETS	447,245	(144,058)	303,187
Net assets, beginning of year	2,938,150	4,388,916	7,327,066
NET ASSETS, END OF YEAR	\$ 3,385,395	\$ 4,244,858	\$ 7,630,253

City of Marquette, Michigan

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

	Motor Vehicle Equipment Fund	Municipal Service Center Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from fees and charges for services	\$ 2,381,506	\$ 734,000	\$ 3,115,506
Other operating revenues	35,651	38,270	73,921
Cash payments to employees for services	(541,490)	(85,573)	(627,063)
Cash payments to suppliers for goods and services	(1,349,577)	(240,153)	(1,589,730)
NET CASH PROVIDED BY OPERATING ACTIVITIES	526,090	446,544	972,634
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	374,795	(380,088)	(5,293)
Cash outflow - overdraft	(286,987)	-	(286,987)
Decrease in due from local units	348	-	348
(Decrease) in due to other funds	(1,500)	(1,500)	(3,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	86,656	(381,588)	(294,932)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash payments for capital assets	(621,568)	(73,556)	(695,124)
Proceeds from sale of capital assets	20,413	-	20,413
Payments received on notes receivable	-	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(601,155)	(73,556)	(674,711)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	22,052	4,710	26,762
(Increase) decrease in restricted assets:			
Equipment reserve	(22,052)	-	(22,052)
Vacation and sick leave reserve	(11,430)	(379)	(11,809)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(11,430)	4,331	(7,099)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	161	(4,269)	(4,108)
Cash and cash equivalents, beginning of year	-	255,339	255,339
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 161	\$ 251,070	\$ 251,231
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 66,087	\$ 231,320	\$ 297,407
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	497,500	219,501	717,001
Change in assets and liabilities:			
Decrease in accounts receivable	942	-	942
(Increase) in inventory	(5,071)	-	(5,071)
(Increase) decrease in prepaid expenses	2,393	228	2,621
Increase (decrease) in accounts payable	(47,191)	(4,884)	(52,075)
Increase (decrease) in accrued compensated absences	11,430	379	11,809
NET ADJUSTMENTS	460,003	215,224	675,227
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 526,090	\$ 446,544	\$ 972,634

City of Marquette, Michigan

MOTOR VEHICLE EQUIPMENT FUND

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 161	\$ -
Accounts receivable	-	942
Due from local units	1,190	1,538
Inventory	36,194	31,123
Prepaid expense	-	2,393
	<u>37,545</u>	<u>35,996</u>
TOTAL CURRENT ASSETS	<u>37,545</u>	<u>35,996</u>
Noncurrent Assets:		
Restricted Assets:		
Equipment reserve	681,171	659,119
Vacation, sick leave and benefit day reserve	108,881	97,451
Total Restricted Assets	<u>790,052</u>	<u>756,570</u>
Property, plant and equipment	8,991,972	8,811,392
Allowance for depreciation	<u>(6,309,781)</u>	<u>(6,217,167)</u>
TOTAL NONCURRENT ASSETS	<u>3,472,243</u>	<u>3,350,795</u>
TOTAL ASSETS	<u>3,509,788</u>	<u>3,386,791</u>
LIABILITIES		
Current Liabilities:		
Cash overdraft	-	286,987
Accounts payable	15,512	62,703
Due to other funds	-	1,500
Accrued compensated absences	108,881	97,451
	<u>124,393</u>	<u>448,641</u>
TOTAL CURRENT LIABILITIES	<u>124,393</u>	<u>448,641</u>
TOTAL LIABILITIES	<u>124,393</u>	<u>448,641</u>
NET ASSETS		
Invested in capital assets	2,682,191	2,594,225
Unrestricted	<u>703,204</u>	<u>343,925</u>
TOTAL NET ASSETS	<u>\$ 3,385,395</u>	<u>\$ 2,938,150</u>

City of Marquette, Michigan

MOTOR VEHICLE EQUIPMENT FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008		2007	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
OPERATING REVENUES:				
Rentals	\$ 1,972,400	\$ 2,380,564	\$ 408,164	\$ 1,864,276
Other	19,005	35,651	16,646	41,340
TOTAL OPERATING REVENUES	1,991,405	2,416,215	424,810	1,905,616
OPERATING EXPENSES:				
Vehicle Operating Expenses:				
Personnel services	586,515	552,920	33,595	482,453
Repairs and maintenance	50,000	42,298	7,702	289,043
Fuel	240,000	298,859	(58,859)	228,870
Supplies	212,004	247,559	(35,555)	30,404
Vehicle insurance	70,975	58,396	12,579	67,596
Rentals	12,000	14,461	(2,461)	11,990
Total Vehicle Operating Expenses	1,171,494	1,214,493	(42,999)	1,110,356
Administrative and General Expenses:				
Rentals	547,400	547,400	-	611,000
Professional services	54,570	54,031	539	66,836
Supplies	-	-	-	1,794
Other services and charges	10,500	36,704	(26,204)	6,539
Provision for depreciation	575,000	497,500	77,500	556,914
Total Administrative and General Expenses	1,187,470	1,135,635	51,835	1,243,083
TOTAL OPERATING EXPENSES	2,358,964	2,350,128	8,836	2,353,439
OPERATING INCOME (LOSS)	(367,559)	66,087	433,646	(447,823)
NONOPERATING REVENUES (EXPENSES):				
Investment income	28,000	22,052	(5,948)	42,795
Gain (loss) on sale of capital assets	6,000	(15,689)	(21,689)	36,044
Transfer in	-	374,795	374,795	-
TOTAL NONOPERATING REVENUES (EXPENSES)	34,000	381,158	347,158	78,839
CHANGE IN NET ASSETS	(333,559)	447,245	780,804	(368,984)
Net assets, beginning of year	2,938,150	2,938,150	-	3,307,134
NET ASSETS, END OF YEAR	\$ 2,604,591	\$ 3,385,395	\$ 780,804	\$ 2,938,150

City of Marquette, Michigan
MUNICIPAL SERVICE CENTER FUND
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 251,070	\$ 255,339
Prepaid expense	<u>-</u>	<u>228</u>
TOTAL CURRENT ASSETS	<u>251,070</u>	<u>255,567</u>
Noncurrent Assets:		
Restricted Assets:		
Vacation, Sick Leave and Benefit Day Reserve	<u>7,821</u>	<u>7,442</u>
Total Restricted Assets	<u>7,821</u>	<u>7,442</u>
Land	245,566	245,566
Land improvements	5,888	5,888
Property, plant and equipment	6,939,361	6,865,805
Allowance for depreciation	<u>(3,189,966)</u>	<u>(2,970,465)</u>
TOTAL NONCURRENT ASSETS	<u>4,008,670</u>	<u>4,154,236</u>
TOTAL ASSETS	<u>4,259,740</u>	<u>4,409,803</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	7,061	11,945
Due to other funds	-	1,500
Accrued compensated absences	<u>7,821</u>	<u>7,442</u>
TOTAL CURRENT LIABILITIES	<u>14,882</u>	<u>20,887</u>
TOTAL LIABILITIES	<u>14,882</u>	<u>20,887</u>
NET ASSETS		
Invested in capital assets	4,000,849	4,146,794
Unrestricted	<u>244,009</u>	<u>242,122</u>
TOTAL NET ASSETS	<u><u>\$ 4,244,858</u></u>	<u><u>\$ 4,388,916</u></u>

City of Marquette, Michigan

MUNICIPAL SERVICE CENTER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008			2007
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
OPERATING REVENUES:				
Rentals	\$ 734,000	\$ 734,000	\$ -	\$ 816,000
Other	2,485	38,270	35,785	3,671
TOTAL OPERATING REVENUES	736,485	772,270	35,785	819,671
OPERATING EXPENSES:				
Administrative and General Expenses:				
Personnel services	93,185	85,952	7,233	88,591
Professional services	59,395	58,846	549	56,306
Supplies	32,500	35,945	(3,445)	21,927
Utilities	94,000	88,393	5,607	84,213
Other services and charges	83,675	52,313	31,362	48,473
Provision for depreciation	220,000	219,501	499	219,501
TOTAL OPERATING EXPENSES	582,755	540,950	41,805	519,011
OPERATING INCOME (LOSS)	153,730	231,320	77,590	300,660
NONOPERATING REVENUES (EXPENSES):				
Investment income	6,370	4,710	(1,660)	3,752
TOTAL NONOPERATING REVENUES (EXPENSES)	6,370	4,710	(1,660)	3,752
INCOME (LOSS) BEFORE TRANSFERS	160,100	236,030	75,930	304,412
Transfers (out)	(380,100)	(380,088)	12	(383,413)
CHANGE IN NET ASSETS	(220,000)	(144,058)	75,942	(79,001)
Net assets, beginning of year	4,388,916	4,388,916	-	4,467,917
NET ASSETS, END OF YEAR	\$ 4,168,916	\$ 4,244,858	\$ 75,942	\$ 4,388,916

City of Marquette, Michigan

FIDUCIARY FUNDS

INDIVIDUAL FUND STATEMENTS

The function of Fiduciary Funds is to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These included (a) private-purpose trust funds, (b) pension trust funds, and (c) agency funds.

SPECIAL ACTIVITIES PRIVATE-PURPOSE TRUST FUND: This fund is used to account for the contributions from private sources restricted for special projects. The City is holding these monies in a trustee capacity.

PENSION TRUST FUND: The Fire-Police Retirement System Funds is used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by employees at fixed rates and by the City at amounts determined by an annual actuarial valuation.

AGENCY FUND: This fund is used to record the collection and payment of property taxes billed and collected by the City on behalf of the County, the School Districts, and the Intermediate School District. It is also used as a payroll clearing account type, which receives reimbursing payments from other funds.

City of Marquette, Michigan

SPECIAL ACTIVITIES PRIVATE-PURPOSE TRUST FUND

COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008 and 2007

ASSETS	2008	2007
Cash and cash equivalents	\$ 613,432	\$ 592,861
TOTAL ASSETS	613,432	592,861
LIABILITIES		
Accounts payable	660	3,375
TOTAL LIABILITIES	660	3,375
NET ASSETS		
Waterfront Property	5,098	5,025
Neck of Presque Isle Park	1,693	1,669
L.G. Kaufman Ski Hill	12,852	12,670
Insurance Program	6,166	10,478
MUSTFAA Insurance	79,478	74,453
Senior Citizens Trust	9,973	11,878
Senior Citizens Grants	21,014	21,667
Sister Cities Artists Exchange	5,630	5,215
Finland Sister City	3,661	3,216
Japan Sister City Campaign	1,954	1,434
Arts Exchange - Doors Project	-	21
Pirate Festival	100	-
McCarty's Cove	182	180
Presque Isle Walking Path	16,908	16,146
Heritage Tree	1,539	4,013
Harlow Park Playground Equipment	255	252
Tourist Park Development	34,497	34,008
Mobile Fire Safety House	5,531	5,453
Softball Insurance Fees	-	352
Fire Belltower Paver Bricks	991	977
Fire Belltower Other	1,181	1,164
Seized Property	23,226	14,310
Federal Forfeiture	31,862	47,412
Drug Dog	3,311	2,539
Disaster Contingency	5,566	5,487
Potter's Field	754	655
Hiebel Memorial	1,145	960
D.A.R.E. Program	257	1,060
City Gift Program	1,508	-
Sanitation Fee for Land Purchase and Development	291,810	287,680
Fuel Surcharge	22,739	18,832
Skateboard Park Donations	11,900	280
Playground Donations	8,686	-
Bike Path Donations	1,305	-
TOTAL NET ASSETS	\$ 612,772	\$ 589,486

City of Marquette, Michigan

FIRE-POLICE RETIREMENT SYSTEM PENSION TRUST FUND

COMPARATIVE STATEMENT OF PLAN NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 2,673,929	\$ 2,027,201
Investments:		
United States Government Securities	1,264,668	5,698,322
Domestic Corporation Bonds	3,391,643	2,540,674
Common, Pooled Fund	19,497,833	17,435,867
Government National Mortgage Association	924	1,056
Accrued interest receivable	<u>68,915</u>	<u>113,639</u>
TOTAL ASSETS	<u>26,897,912</u>	<u>27,816,759</u>
 LIABILITIES		
Accounts payable and other	<u>-</u>	<u>-</u>
 NET ASSETS HELD IN TRUST FOR PENSION	<u><u>\$ 26,897,912</u></u>	<u><u>\$ 27,816,759</u></u>

City of Marquette, Michigan
AGENCY FUND
COMPARATIVE BALANCE SHEET
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 2,585,870	\$ 1,576,229
Taxes receivable - current	-	23
Taxes receivable - delinquent personal	31,163	37,592
Due from other governments	-	1,912
Due from other funds	-	250,000
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 2,617,033</u></u>	<u><u>\$ 1,865,756</u></u>
 LIABILITIES		
Liabilities:		
Contract retainage payable	\$ 861,958	\$ 267,840
Accrued wages and related liabilities	1,335,236	1,192,780
Due to other governments	6,585	8,146
Due to State	6,449	8,143
Due to local units	401,426	384,805
Other liabilities	5,379	4,042
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u><u>\$ 2,617,033</u></u>	<u><u>\$ 1,865,756</u></u>

City of Marquette, Michigan

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Fiscal Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 1,576,229	\$ 38,228,698	\$ 37,219,057	\$ 2,585,870
Taxes receivable - current	23	14,791,194	14,791,217	-
Taxes receivable - delinquent personal	37,592	26,433	32,862	31,163
Due from other governments	1,912	-	1,912	-
Due from other funds	250,000	-	250,000	-
TOTAL ASSETS	<u><u>\$ 1,865,756</u></u>	<u><u>\$ 53,046,325</u></u>	<u><u>\$ 52,295,048</u></u>	<u><u>\$ 2,617,033</u></u>
LIABILITIES				
Contract retainage payable	\$ 267,840	\$ 18,707,193	\$ 18,113,075	\$ 861,958
Accrued wages and related liabilities	1,192,780	3,694,585	3,552,129	1,335,236
Due to other governments	8,146	4,081,092	4,082,653	6,585
Due to State	8,143	3,295,340	3,297,034	6,449
Due to local units	384,805	8,364,168	8,347,547	401,426
Other liabilities	4,042	29,036	27,699	5,379
TOTAL LIABILITIES	<u><u>\$ 1,865,756</u></u>	<u><u>\$ 38,171,414</u></u>	<u><u>\$ 37,420,137</u></u>	<u><u>\$ 2,617,033</u></u>

City of Marquette, Michigan
CAPITAL ASSET SCHEDULES

City of Marquette, Michigan

**SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - BY SOURCE**

June 30, 2008

	Land and Improvements	Buildings and Improvements	Furniture and Equipment	Other	Totals
Governmental Capital Assets:					
Land	\$ 11,186,566	\$ -	\$ -	\$ -	\$ 11,186,566
Land improvements	6,962,599	-	-	-	6,962,599
Buildings	-	5,387,699	-	-	5,387,699
Building improvements	-	5,074,739	-	-	5,074,739
Furniture and equipment	-	-	2,686,333	-	2,686,333
Infrastructure	-	-	-	36,814,530	36,814,530
Construction in progress	9,400,232	-	-	-	9,400,232
Investment in joint venture	-	-	-	3,545,127	3,545,127
TOTAL	\$ 27,549,397	\$ 10,462,438	\$ 2,686,333	\$ 40,359,657	\$ 81,057,825
Investments in Governmental Capital Assets From:					
General Fund	\$ 22,892,270	\$ 4,635,163	\$ 2,118,375	\$ 25,722,442	\$ 55,368,250
Federal grants	1,901,291	3,466,340	116,285	547,762	6,031,678
State grants	705,189	494,867	161,232	-	1,361,288
Private gifts	1,114,174	558,029	117,381	-	1,789,584
Authorities, Boards and Commissions	54,000	811,172	-	-	865,172
Joint venture	-	-	-	3,545,127	3,545,127
Other funds	882,473	496,867	173,060	10,544,326	12,096,726
TOTAL	\$ 27,549,397	\$ 10,462,438	\$ 2,686,333	\$ 40,359,657	\$ 81,057,825

City of Marquette, Michigan

**SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY**

June 30, 2008

Function and Activity	Total	Land	Land Improvements	Buildings	Building Improvements	Furniture and Equipment	Infrastructure
General Government:							
City Commission	\$ 8,999	\$ -	\$ -	\$ -	\$ -	\$ 8,999	\$ -
Elections	5,001	-	-	-	-	5,001	-
Finance and Accounting	13,186	-	-	-	-	13,186	-
Treasurer	5,978	-	-	-	-	5,978	-
Information Systems	1,277,664	-	-	-	-	1,277,664	-
Cemetery	226,936	98,002	94,648	9,048	25,238	-	-
City Hall and Grounds	2,457,685	100,008	128,542	1,395,545	706,651	126,939	-
Other City Property	5,104,189	5,084,318	19,871	-	-	-	-
Total General Government	9,099,638	5,282,328	243,061	1,404,593	731,889	1,437,767	-
Public Health and Safety:							
Police Department	288,091	-	-	-	-	288,091	-
Fire Department	440,209	32,296	14,663	154,155	121,213	117,882	-
Total Public Health and Safety	728,300	32,296	14,663	154,155	121,213	405,973	-
Highways, Streets and Bridges:							
City Engineer	108,834	-	-	-	-	108,834	-
Public Works	7,743,006	4,242,131	2,742,813	523,782	213,880	20,400	-
Infrastructure	36,814,530	-	-	-	-	-	36,814,530
Parking System	2,475,516	753,874	70,131	1,320,171	235,396	95,944	-
Total Highways, Streets and Bridges	47,141,886	4,996,005	2,812,944	1,843,953	449,276	225,178	36,814,530
Other:							
Sanitation	14,932	14,932	-	-	-	-	-
Social Services	-	-	-	-	-	-	-
Recreation	11,084,546	861,005	3,891,931	1,984,998	3,754,445	592,167	-
Other functions	43,164	-	-	-	17,916	25,248	-
Total Other	11,142,642	875,937	3,891,931	1,984,998	3,772,361	617,415	-
TOTAL GOVERNMENTAL CAPITAL ASSETS ASSOCIATED TO FUNCTIONS	68,112,466	\$ 11,186,566	\$ 6,962,599	\$ 5,387,699	\$ 5,074,739	\$ 2,686,333	\$ 36,814,530
Construction in progress	9,400,232						
Investment in Marquette County Solid Waste Management Authority	3,545,127						
TOTAL GOVERNMENTAL CAPITAL ASSETS	\$ 81,057,825						

City of Marquette, Michigan

**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY**

For the Fiscal Year Ended June 30, 2008

Function and Activity	Balance June 30, 2007	Additions	Deductions	Transfers	Balance June 30, 2008
General Government:					
City Commission	\$ 8,999	\$ -	\$ -	\$ -	\$ 8,999
Elections	5,001	-	-	-	5,001
Finance and Accounting	13,186	-	-	-	13,186
Treasurer	5,978	-	-	-	5,978
Information Systems	1,398,366	7,295	(127,996)	-	1,277,665
Cemetery	226,936	-	-	-	226,936
City Hall and Grounds	2,457,739	-	-	-	2,457,739
Other City Property	5,129,461	-	(25,325)	-	5,104,136
Total General Government	9,245,666	7,295	(153,321)	-	9,099,640
Public Health and Safety:					
Police Department	296,330	-	(8,239)	-	288,091
Fire Department	425,669	14,540	-	-	440,209
Total Public Health and Safety	721,999	14,540	(8,239)	-	728,300
Highways, Streets and Bridges					
City Engineer	79,286	29,548	-	-	108,834
Public Works	7,743,005	-	-	-	7,743,005
Infrastructure	35,335,821	757,468	-	721,240	36,814,529
Parking System	2,475,516	-	-	-	2,475,516
Total Highways, Streets and Bridges	45,633,628	787,016	-	721,240	47,141,884
Other:					
Sanitation	14,932	-	-	-	14,932
Recreation	11,090,447	-	(5,901)	-	11,084,546
Other	43,164	-	-	-	43,164
Total Other	11,148,543	-	(5,901)	-	11,142,642
TOTAL GOVERNMENTAL CAPITAL ASSETS	66,749,836	808,851	(167,461)	721,240	68,112,466
Construction in progress	3,487,003	6,634,469	-	(721,240)	9,400,232
Investment in Marquette County Solid Waste Management Authority	3,524,660	20,467	-	-	3,545,127
GRAND TOTAL	\$ 73,761,499	\$ 7,463,787	\$ (167,461)	\$ -	\$ 81,057,825

City of Marquette, Michigan
LONG-TERM DEBT SCHEDULES

City of Marquette, Michigan

**SCHEDULE OF BONDS, NOTES PAYABLE AND CAPITALIZED LEASE OBLIGATIONS PAYABLE -
ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 2008

Maturities Year Ending June 30:	WATER SUPPLY AND SEWAGE DISPOSAL FUND						MARINA FUND	STORMWATER UTILITY FUND	
	Capitalized Lease Obligations (A)	Note Payable	Loan Payable	Revenue Bonds (B)	Revenue Bonds (C)	Limited Tax General Obligation Bonds (D)	Revenue Bonds (E)	Revenue Bonds (F)	Limited Tax General Obligation Bonds (D)
2009	\$ 120,866	\$ 22,343	\$ 150,000	\$ 480,000	\$ 125,000	\$ 155,955	\$ 75,000	\$ 275,000	\$ 66,330
2010	-	23,448	155,000	410,000	130,000	141,778	70,000	290,000	60,300
2011	-	24,993	155,000	410,000	135,000	141,778	75,000	-	60,300
2012	-	-	160,000	430,000	140,000	146,503	75,000	-	62,310
2013	-	-	165,000	450,000	145,000	153,592	80,000	-	65,326
2014	-	-	165,000	470,000	150,000	158,318	85,000	-	67,336
2015	-	-	170,000	485,000	160,000	165,407	-	-	70,350
2016	-	-	175,000	505,000	165,000	170,133	-	-	72,360
2017	-	-	180,000	-	170,000	177,222	-	-	75,375
2018	-	-	180,000	-	-	186,674	-	-	79,395
2019	-	-	185,000	-	-	196,126	-	-	83,415
2020	-	-	190,000	-	-	203,214	-	-	86,431
2021	-	-	195,000	-	-	212,666	-	-	90,451
2022	-	-	200,000	-	-	222,118	-	-	94,471
2023	-	-	200,000	-	-	226,844	-	-	96,481
2024	-	-	205,000	-	-	238,659	-	-	101,506
2025	-	-	210,000	-	-	248,111	-	-	105,526
2026	-	-	-	-	-	259,925	-	-	110,551
2027	-	-	-	-	-	269,377	-	-	114,571
2028	-	-	-	-	-	283,556	-	-	120,600
	<u>\$ 120,866</u>	<u>\$ 70,784</u>	<u>\$ 3,040,000</u>	<u>\$ 3,640,000</u>	<u>\$ 1,320,000</u>	<u>\$ 3,957,956</u>	<u>\$ 460,000</u>	<u>\$ 565,000</u>	<u>\$ 1,683,385</u>
Interest Rates	4.3 - 4.4%	4.88%	2.125%	2.0 - 4.1%	4.0%	3.0 - 5.0%	4.7 - 5.8%	4.1 - 5.0%	3.0 - 5.0%
Interest Dates	June and December	August	April and October	May and November	May and November	May and November	May and November	June and December	May and November
Date of original issue	July 28, 1998	February 23, 1999	March 9, 2004	November 4, 2003	December 20, 2006	June 26, 2008	February 18, 2004	November 1, 1995	June 26, 2008
Amount of original issue	<u>\$ 1,485,000</u>	<u>\$ 199,926</u>	<u>\$ 3,470,000</u>	<u>\$ 5,990,000</u>	<u>\$ 1,440,000</u>	<u>\$ 3,957,956</u>	<u>\$ 690,000</u>	<u>\$ 2,740,000</u>	<u>\$ 1,683,385</u>

- (A) The City may pay additional monies to the County of Marquette and may request that such additional funds be used to call bonds for redemption prior to maturity, in which event the County Board of Commissioners would be obligated to apply and use such money for such purposes to the fullest extent possible.
- (B) Outstanding bonds maturing in the years 2004 to 2007, inclusive, are subject to redemption on January 1, 2004 at 100% of par plus accrued interest. The outstanding bonds maturing in years 2005 to 2016, inclusive, are subject to redemption on May 1, 2004 at 100% of par plus accrued interest.
- (C) Outstanding bonds are not subject to optional redemption.
- (D) The bonds maturing in the years 2009 to 2018, inclusive, shall not be subject to optional redemption prior to maturity. The bonds, or portions of bonds in multiples of \$5,000 maturing in the years 2019 to 2028, inclusive, shall be subject to redemption at the option of the City in such order of maturity as the City shall determine and within a single maturity by lot on any date on or after May 1, 2018 at par plus accrued interest to the date fixed for redemption.
- (E) Outstanding bonds are not subject to optional redemption.
- (F) Outstanding bonds maturing prior to June 1, 2004, are not subject to option redemption prior to maturity. Bonds maturing on or after June 1, 2004, are subject to redemption at the option of the City, in whole or part, in integral multiples of \$5,000, on any date on or after June 1, 2003, at par, plus accrued interest to the redemption date.

City of Marquette, Michigan

**SCHEDULE OF BONDS PAYABLE
COMPONENT UNIT - BOARD OF LIGHT AND POWER ELECTRIC UTILITY FUND**

For the Fiscal Year Ended June 30, 2008

<u>Maturities</u>	<u>Revenue Bonds Series 2001 (A)</u>
Year Ending June 30:	
2009	\$ 2,700,000
Discount	<u>(20,250)</u>
	<u>\$ 2,679,750</u>
Interest rates	4.8 - 5.125%
Interest dates	January and July
Date of original issue	October 11, 2001
Amount of original issue	<u>\$ 21,815,150</u>

- (A) Bonds maturing in the years 2007 through 2009 are subject to redemption prior to maturity at the option of the City, in such order as the City may determine, and by lot within a single maturity, on any interest payment date on or after July 1, 2006. Bonds called for redemption shall be redeemed at par and accrued interest to the date fixed for redemption. Original issue is less than amount outstanding due to the amortization of the discount in the current year.

City of Marquette, Michigan

COMPONENT UNITS

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Component units are used to account for the discretely presented component units which follow governmental or proprietary fund accounting guidelines.

BOARD OF LIGHT AND POWER: To account for the electric utility.

PETER WHITE PUBLIC LIBRARY: To record revenues and expenditures of the Peter White Public Library. Financing is primarily provided through property taxes.

DOWNTOWN DEVELOPMENT AUTHORITY: To record the activities associated with the Downtown Development Authority.

City of Marquette, Michigan
Board of Light and Power Electric Utility

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,188,451	\$ 3,110,749
Internally designated assets:		
Customer electric rate stabilization fund	1,873,970	1,792,743
Turbine and major generating equipment overhaul fund	739,820	739,820
Replacement-risk retention fund	1,064,537	1,012,564
Investment -- RHFV	391,619	200,186
Investment -- Ren/Energy efficiency fund	970,330	-
Improvement fund	45,638	58,300
Accounts receivable, net	1,038,496	1,285,340
Other receivables	-	1,725,000
Inventory	4,138,356	3,256,163
Prepaid expenses	172,067	97,224
TOTAL CURRENT ASSETS	<u>15,623,284</u>	<u>13,278,089</u>
Noncurrent Assets:		
Restricted Assets:		
Bond and interest redemption fund	553,300	2,891,520
Bond reserve fund	2,198,000	2,198,000
Pinehill landfill fund	13,314	12,963
Total Restricted Assets	<u>2,764,614</u>	<u>5,102,483</u>
Unamortized bond issuance costs	-	24,161
Investment in UPPPA	2,187,256	2,090,698
Property, plant, and equipment	121,703,038	117,733,051
Accumulated depreciation	(82,459,907)	(79,375,376)
TOTAL NONCURRENT ASSETS	<u>44,195,001</u>	<u>45,575,017</u>
TOTAL ASSETS	<u>59,818,285</u>	<u>58,853,106</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	3,635,492	1,152,550
Accrued liabilities	131,095	125,799
Compensated absences	870,826	883,933
Customer deposits payable	970,760	1,411,975
Other current liabilities	40,000	40,000
TOTAL CURRENT LIABILITIES	<u>5,648,173</u>	<u>3,614,257</u>
Current Liabilities (payable from restricted assets):		
Current maturities on revenue bonds	2,700,000	2,790,000
Revenue bond accrued interest payable	51,300	101,520
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	<u>2,751,300</u>	<u>2,891,520</u>
Noncurrent Liabilities:		
Bonds payable	-	2,679,750
Reserve for turbine and major generating equipment overhaul	739,820	739,820
Postclosure costs-Landfill	517,529	547,441
TOTAL NONCURRENT LIABILITIES	<u>1,257,349</u>	<u>3,967,011</u>
TOTAL LIABILITIES	<u>9,656,822</u>	<u>10,472,788</u>
NET ASSETS		
Invested in capital assets net of related debt	39,243,131	35,677,925
Restricted:		
Other activities	2,211,314	2,210,963
Unrestricted	8,707,018	10,491,430
TOTAL NET ASSETS	<u>\$ 50,161,463</u>	<u>\$ 48,380,318</u>

City of Marquette, Michigan
Board of Light and Power Electric Utility

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Electricity Sales:		
Urban	\$ 14,417,187	\$ 13,200,713
Rural	8,636,042	7,810,320
Sales to Alger-Delta Co-op	1,112,352	968,308
Sales to Wisconsin Electric Power Company	304,870	229,068
Street lighting	349,712	327,198
Other municipal departments	763,991	702,777
Rent and other	717,515	673,594
TOTAL OPERATING REVENUES	<u>26,301,669</u>	<u>23,911,978</u>
OPERATING EXPENSES:		
Administrative and general	4,739,749	4,610,115
Production	11,674,429	11,454,801
Purchased power	2,725,931	2,739,263
Distribution and transmission	1,259,918	1,053,395
Customer accounting	594,840	555,617
Payment in lieu of property taxes - City of Marquette	1,436,391	1,413,029
Provision for depreciation, excluding \$77,498 charged to other operating expenses	3,050,572	3,095,911
TOTAL OPERATING EXPENSES	<u>25,481,830</u>	<u>24,922,131</u>
INCOME FROM OPERATIONS	<u>819,839</u>	<u>(1,010,153)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	774,988	848,866
Delayed payment fees	30,738	30,599
Interest on refunding bonds	(102,600)	(203,040)
Other interest expense	(30,566)	(36,210)
Amortization of bond issuance expense	(44,641)	(45,700)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>627,919</u>	<u>594,515</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	1,447,758	(415,638)
Extraordinary Item	-	1,725,000
NET INCOME	1,447,758	1,309,362
Capital contributions from customers	333,387	210,438
CHANGE IN NET ASSETS	1,781,145	1,519,800
Net assets, beginning of year	48,380,318	46,860,518
NET ASSETS, END OF YEAR	<u>\$ 50,161,463</u>	<u>\$ 48,380,318</u>

City of Marquette, Michigan
Board of Light and Power Electric Utility

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 26,548,513	\$ 23,874,589
Cash paid to suppliers and employees	<u>(21,350,331)</u>	<u>(21,717,646)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,198,182</u>	<u>2,156,943</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,969,987)	(2,572,007)
Proceeds from settlement of extraordinary item	1,725,000	-
Principal payment on revenue bonds, notes payable and capital lease obligations	(2,790,000)	(2,695,000)
Capital contributions	333,387	210,438
Interest paid on revenue bonds and notes payable	<u>(152,820)</u>	<u>(247,507)</u>
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,854,420)</u>	<u>(5,304,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	767,837	930,825
Proceeds from maturities and sales of investment securities	5,105,762	4,974,616
Purchase of investments	<u>(4,139,659)</u>	<u>(2,892,565)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>1,733,940</u>	<u>3,012,876</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,077,702</u>	<u>(134,257)</u>
Cash and cash equivalents, beginning of year	<u>3,110,749</u>	<u>3,245,006</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,188,451</u></u>	<u><u>\$ 3,110,749</u></u>
Noncash Investing, Capital and Financing Activities:		
Net appreciation (depreciation) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 819,839</u>	<u>\$ (1,010,153)</u>
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	3,084,531	3,197,917
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	246,844	(37,389)
(Increase) decrease in inventory	(882,193)	(244,788)
(Increase) decrease in prepaid expenses	(74,843)	(32,845)
Increase (decrease) in accounts payable	2,482,942	421,658
Increase (decrease) in accrued wages and related liabilities	5,296	9,351
Increase (decrease) in accrued sick and vacation	(13,107)	69,543
Increase in customer deposits, including accrued interest	(441,215)	66,438
(Decrease) in landfill site postclosure care cost liability	(29,912)	(25,477)
Increase (decrease) in reserve for turbine overhaul	-	(257,312)
NET ADJUSTMENTS	<u>4,378,343</u>	<u>3,167,096</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 5,198,182</u></u>	<u><u>\$ 2,156,943</u></u>

**City of Marquette, Michigan
Peter White Public Library**

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 174,556
Investments	807,889
Taxes receivable, net	1,088,063
Accounts receivable, net	<u>7,825</u>
TOTAL CURRENT ASSETS	<u>2,078,333</u>
Noncurrent assets:	
Land	114,704
Other capital assets	11,080,564
Accumulated depreciation	<u>(5,650,592)</u>
TOTAL NONCURRENT ASSETS	<u>5,544,676</u>
TOTAL ASSETS	<u>7,623,009</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	18,635
Unearned revenue	1,086,134
Bonds payable - due in one year	<u>245,000</u>
TOTAL CURRENT LIABILITIES	<u>1,349,769</u>
Noncurrent liabilities:	
Bonds payable - due in more than one year	2,665,000
Compensated absences	<u>104,514</u>
TOTAL NONCURRENT LIABILITIES	<u>2,769,514</u>
TOTAL LIABILITIES	<u>4,119,283</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,634,676
Restricted:	
Retirement of debt	1,552
Endowments	785,950
Unrestricted	<u>81,548</u>
TOTAL NET ASSETS	<u><u>\$ 3,503,726</u></u>

**City of Marquette, Michigan
Peter White Public Library**

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Recreation and culture	\$ 2,038,724	\$ 230,583	\$ 545,041	\$ (1,263,100)
Interest on long-term debt	133,628	-	-	(133,628)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,172,352	\$ 230,583	\$ 545,041	(1,396,728)
General revenues:				
				1,073,124
				(5,754)
				7,803
			Total General Revenues	1,075,173
			Net change in net assets	(321,555)
			Net assets, beginning of year	3,825,281
			Net assets, end of year	<u>\$ 3,503,726</u>

**City of Marquette, Michigan
Peter White Public Library**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 338,627	\$ 23,598	\$ 872	\$ (188,541)	\$ 174,556
Investments	45,537	762,352	-	-	807,889
Taxes receivable, net	741,526	-	346,537	-	1,088,063
Accounts receivable, net	7,825	-	-	-	7,825
Due from other funds	-	-	-	188,541	188,541
TOTAL ASSETS	<u><u>\$ 1,133,515</u></u>	<u><u>\$ 785,950</u></u>	<u><u>\$ 347,409</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,266,874</u></u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 18,635	\$ -	\$ -	\$ -	\$ 18,635
Deferred revenue	740,277	-	345,857	-	1,086,134
Due to other funds	188,541	-	-	-	188,541
TOTAL LIABILITIES	<u>947,453</u>	<u>-</u>	<u>345,857</u>	<u>-</u>	<u>1,293,310</u>
FUND BALANCE:					
Reserved for:					
Retirement of debt	-	-	1,552	-	1,552
Endowments	-	785,950	-	-	785,950
Unreserved, reported in:					
General Fund	186,062	-	-	-	186,062
TOTAL FUND BALANCE	<u>186,062</u>	<u>785,950</u>	<u>1,552</u>	<u>-</u>	<u>973,564</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,133,515</u></u>	<u><u>\$ 785,950</u></u>	<u><u>\$ 347,409</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,266,874</u></u>

**City of Marquette, Michigan
Peter White Public Library**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total Fund Balances for Governmental Funds	\$	973,564
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds

	11,195,268	
Cost of capital assets		
Accumulated depreciation	(5,650,592)	
		5,544,676

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

	(2,910,000)	
Bonds payable		
Compensated absences	(104,514)	
		(3,014,514)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	\$	3,503,726

**City of Marquette, Michigan
Peter White Public Library**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
REVENUES:					
Property taxes	\$ 721,747	\$ -	\$ 351,377	\$ -	\$ 1,073,124
State sources	39,776	-	-	-	39,776
Local sources	369,713	-	-	-	369,713
Charges for services	46,908	-	-	-	46,908
Fines and forfeiture	147,050	-	-	-	147,050
Rentals	36,625	-	-	-	36,625
Contributions from private sources	128,244	-	-	7,308	135,552
Investment income	24,380	(45,460)	-	15,326	(5,754)
Other	5,880	-	1,923	-	7,803
TOTAL REVENUES	1,520,323	(45,460)	353,300	22,634	1,850,797
EXPENDITURES:					
Recreation and Culture:					
Personnel services	948,917	-	-	-	948,917
Supplies	94,074	-	-	-	94,074
Other services and charges	343,192	3,011	-	-	346,203
Capital outlay	150,938	-	-	-	150,938
Debt service					
Principal retirement	-	-	245,000	245,000	490,000
Interest and fiscal charges	-	-	122,480	11,148	133,628
TOTAL EXPENDITURES	1,537,121	3,011	367,480	256,148	2,163,760
NET REVENUES OVER EXPENDITURES	(16,798)	(48,471)	(14,180)	(233,514)	(312,963)
OTHER FINANCING SOURCE (USES)					
Transfers In	18,000	-	-	188,541	206,541
Transfers (Out)	(188,541)	(18,000)	-	-	(206,541)
TOTAL OTHER FINANCING SOURCES (USES)	(170,541)	(18,000)	-	188,541	-
NET CHANGE IN FUND BALANCE	(187,339)	(66,471)	(14,180)	(44,973)	(312,963)
Fund balance, beginning of year	373,401	852,421	15,732	44,973	1,286,527
FUND BALANCE, END OF YEAR	\$ 186,062	\$ 785,950	\$ 1,552	\$ -	\$ 973,564

**City of Marquette, Michigan
Peter White Public Library**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (312,963)
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(488,058)</u>	(488,058)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Existing debt	490,000
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Some expenses such as accrued sick and vacation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(10,534)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

	<u><u>\$ (321,555)</u></u>
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City of Marquette, Michigan
Nonmajor Component Unit - Downtown Development Authority

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 256,878
Taxes receivable, net	635,142
Accounts receivable, net	<u>28,737</u>
TOTAL CURRENT ASSETS	<u>920,757</u>
Noncurrent Assets:	
Capital assets	3,038,488
Accumulated depreciation	<u>(451,329)</u>
TOTAL NONCURRENT ASSETS	<u>2,587,159</u>
TOTAL ASSETS	<u>3,507,916</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	229,378
Accrued wages and related liabilities	3,881
Deferred revenue	592,625
Bonds payable - due in one year	<u>178,571</u>
TOTAL CURRENT LIABILITIES	<u>1,004,455</u>
Noncurrent Liabilities:	
Bonds payable - due in more than one year	<u>321,429</u>
TOTAL NONCURRENT LIABILITIES	<u>321,429</u>
TOTAL LIABILITIES	<u>1,325,884</u>
NET ASSETS	
Invested in capital assets net of related debt	2,087,159
Unrestricted	<u>94,873</u>
TOTAL NET ASSETS	<u><u>\$ 2,182,032</u></u>

City of Marquette, Michigan
Nonmajor Component Unit - Downtown Development Authority

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$ 217,885	\$ 55,000	\$ -	(162,885)
Parking system	217,549	121,268	-	(96,281)
Interest on long-term debt	22,574	-	-	(22,574)
Other governmental	-	-	10,878	10,878
TOTAL	\$ 458,008	\$ 176,268	\$ 10,878	(270,862)
General revenues:				
Property taxes				710,860
Interest and investment earnings				11,092
Miscellaneous				1,063
TOTAL GENERAL REVENUES				723,015
CHANGES IN NET ASSETS				452,153
Net assets, beginning of year				1,729,879
NET ASSETS, END OF YEAR				\$ 2,182,032

**City of Marquette, Michigan
Downtown Development Authority**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	Parking System Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 336,052	\$ -	\$ 26,189	\$ -	\$ 362,241
Taxes receivable, net	635,142	-	-	-	635,142
Accounts receivable, net	-	28,737	-	-	28,737
Due from other funds	22,917	14,086	-	-	37,003
Due from primary government	236,423	-	-	-	236,423
Other assets	-	-	-	-	-
TOTAL ASSETS	\$ 1,230,534	\$ 42,823	\$ 26,189	\$ -	\$ 1,299,546
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Cash overdraft	\$ -	\$ 105,363	\$ -	\$ -	\$ 105,363
Accounts payable	-	-	3,833	-	3,833
Accrued wages and related liabilities	3,881	-	-	-	3,881
Due to other funds	-	9,609	27,394	-	37,003
Due to primary government	461,968	-	-	-	461,968
Deferred revenue	592,625	-	-	-	592,625
TOTAL LIABILITIES	1,058,474	114,972	31,227	-	1,204,673
FUND BALANCE:					
Reserved for:					
Capital projects	-	-	(5,038)	-	(5,038)
Unreserved, reported in:					
General Fund	172,060	-	-	-	172,060
Special Revenue Fund	-	(72,149)	-	-	(72,149)
TOTAL FUND BALANCE	172,060	(72,149)	(5,038)	-	94,873
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,230,534	\$ 42,823	\$ 26,189	\$ -	\$ 1,299,546

**City of Marquette, Michigan
Downtown Development Authority**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total Fund Balances for Governmental Funds	\$	94,873
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds

Cost of capital assets	3,038,488	
Accumulated depreciation	<u>(451,329)</u>	
		2,587,159

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds

(500,000)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	\$	<u><u>2,182,032</u></u>
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**City of Marquette, Michigan
Downtown Development Authority**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	General Fund	Parking System Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Property taxes	\$ 710,860	\$ -	\$ -	\$ -	\$ 710,860
State sources	10,878	-	-	-	10,878
Intergovernmental revenues	55,000	-	-	-	55,000
Charges for services	-	15,293	-	-	15,293
Rentals	925	105,050	-	-	105,975
Investment income	11,092	-	-	-	11,092
Other	1,063	-	-	-	1,063
TOTAL REVENUES	789,818	120,343	-	-	910,161
EXPENDITURES:					
Current operations:					
General government	124,563	-	-	-	124,563
Parking system	-	206,060	-	-	206,060
Capital outlay	56,241	-	-	-	56,241
Debt service:					
Principal retirement	178,572	-	-	-	178,572
Interest and fiscal charges	22,574	-	-	-	22,574
TOTAL EXPENDITURES	381,950	206,060	-	-	588,010
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	407,868	(85,717)	-	-	322,151
OTHER FINANCING SOURCES (USES):					
Transfers in	-	14,651	-	-	14,651
Transfers out	(14,651)	-	-	-	(14,651)
TOTAL OTHER FINANCING SOURCES (USES)	(14,651)	14,651	-	-	-
NET CHANGE IN FUND BALANCE	393,217	(71,066)	-	-	322,151
Fund balance, beginning of year	(221,157)	(1,083)	(5,038)	-	(227,278)
FUND BALANCE, END OF YEAR	\$ 172,060	\$ (72,149)	\$ (5,038)	\$ -	\$ 94,873

**City of Marquette, Michigan
Downtown Development Authority**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	322,151
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	62,931	
Depreciation expense		<u>(111,501)</u>	
			(48,570)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		178,572
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>452,153</u>
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City of Marquette, Michigan

STATISTICAL INFORMATION

This part of the City of Marquette's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	186-191
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	192-196
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and City's ability to issue additional debt in the future.	197-202
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	203-205
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.	206-207

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Marquette, Michigan
Net Assets by Component
Last Five Fiscal Years

	Fiscal Year				
	2008	2007	2006	2005	2004
Governmental Activities					
Invested in capital assets, net of related debt	\$ 29,085,627	\$ 29,731,919	\$ 32,827,042	\$ 20,668,811	\$ 17,517,503
Restricted	585,942	568,371	548,317	528,637	-
Unrestricted	13,528,435	13,066,579	7,175,565	4,893,099	7,897,006
Total Governmental Activities Net Assets	<u>\$ 43,200,004</u>	<u>\$ 43,366,869</u>	<u>\$ 40,550,924</u>	<u>\$ 26,090,547</u>	<u>\$ 25,414,509</u>
Business-Type Activities					
Investment capital assets, net of related debt	\$ 27,663,837	\$ 32,100,572	\$ 32,258,682	\$ 28,448,328	\$ 27,558,113
Restricted	1,266,493	1,938,968	1,951,234	1,929,883	2,134,176
Unrestricted	8,664,067	2,508,757	5,339,506	8,722,650	8,979,306
Total Business-Type Activities	<u>\$ 37,594,397</u>	<u>\$ 36,548,297</u>	<u>\$ 39,549,422</u>	<u>\$ 39,100,861</u>	<u>\$ 38,671,595</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 56,749,464	\$ 61,832,491	\$ 65,085,724	\$ 49,117,139	\$ 45,075,616
Restricted	1,852,435	2,507,339	2,499,551	2,458,520	2,134,176
Unrestricted	22,192,502	15,575,336	12,515,071	13,615,749	16,876,312
Total Primary Government Net Assets	<u>\$ 80,794,401</u>	<u>\$ 79,915,166</u>	<u>\$ 80,100,346</u>	<u>\$ 65,191,408</u>	<u>\$ 64,086,104</u>

City of Marquette, Michigan
Changes in Net Assets
Last Five Fiscal Years

	Fiscal Year				
	2008	2007	2006	2005	2004
Expenses					
Governmental Activities					
General government	\$ 3,243,609	\$ 3,395,398	\$ 2,994,081	\$ 2,919,314	\$ 3,749,652
Public health & Safety	5,246,740	4,948,192	4,919,863	4,680,206	4,649,016
Public works	3,378,242	3,039,550	3,546,425	2,843,875	2,850,031
Highway and streets	2,439,873	2,324,977	1,738,087	2,582,962	2,604,467
Social services	343,338	355,193	511,948	503,334	840,683
Sanitation	1,393,420	1,238,866	1,210,914	1,528,524	1,148,170
Recreation and Culture	1,702,220	1,261,545	1,302,717	1,316,150	1,398,509
Interest on long-term debt	853,910	750,760	845,767	504,304	458,058
Depreciation - unallocated	1,633,032	1,916,607	1,912,853	857,165	875,141
Total Governmental Activities Expenses	<u>20,234,384</u>	<u>19,231,088</u>	<u>18,982,655</u>	<u>17,735,834</u>	<u>18,573,727</u>
Business-Type Activities					
Water supply and sewage disposal	6,580,392	6,512,473	6,339,831	5,895,101	5,449,460
Storm water utility	1,032,765	891,632	866,257	680,791	692,413
Marina	381,359	394,386	374,433	364,786	416,614
Intermodal transportation terminal	-	959,368	86,003	156,177	173,272
Total Business-Type Activities Expenses	<u>7,994,516</u>	<u>8,757,859</u>	<u>7,666,524</u>	<u>7,096,855</u>	<u>6,731,759</u>
Total Primary Government Expenses	<u>\$ 28,228,900</u>	<u>\$ 27,988,947</u>	<u>\$ 26,649,179</u>	<u>\$ 24,832,689</u>	<u>\$ 25,305,486</u>
Program Revenues					
Governmental Activities					
Charges for Services					
General government	\$ 1,218,448	\$ 1,206,989	\$ 1,176,083	\$ 1,254,826	\$ 1,087,850
Public health	279,723	202,071	202,388	183,381	108,808
Public works	1,066,658	1,205,514	1,102,852	1,370,220	1,027,142
Sanitation	1,470,423	1,255,621	1,157,631	2,065,969	1,112,255
Recreation and culture	786,183	905,996	809,727	803,526	739,130
Operating grants and contributions	2,560,546	2,392,818	5,446,027	2,185,688	2,873,580
Capital grants and contributions	68,771	114,702	647,205	265,770	1,795,016
Total Governmental Activities Program Revenues	<u>7,450,752</u>	<u>7,283,711</u>	<u>10,541,913</u>	<u>8,129,380</u>	<u>8,743,781</u>
Business-Type Activities					
Charges for Services					
Water supply and sewage disposal	6,095,472	6,025,359	5,914,730	5,726,868	5,680,134
Storm water utility	862,805	867,963	709,859	649,034	660,058
Marina	268,309	284,838	281,296	258,940	252,099
Intermodal transportation terminal	-	26,631	35,531	63,963	145,992
Operating grants and contributions	18,095	25,057	9,000	173,320	536
Capital grants and contributions	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>7,244,681</u>	<u>7,229,848</u>	<u>6,950,416</u>	<u>6,872,125</u>	<u>6,738,819</u>
Total Primary Government Program Revenues	<u>\$ 14,695,433</u>	<u>\$ 14,513,559</u>	<u>\$ 17,492,329</u>	<u>\$ 15,001,505</u>	<u>\$ 15,482,600</u>
Net (Expense) Revenue					
Governmental Activities	\$ (12,783,632)	\$ (11,947,377)	\$ (8,440,742)	\$ (9,606,454)	\$ (9,829,946)
Business-Type Activities	(749,835)	(1,528,011)	(716,108)	(224,730)	7,060
Total Primary Government Net Expense	<u>\$ (13,533,467)</u>	<u>\$ (13,475,388)</u>	<u>\$ (9,156,850)</u>	<u>\$ (9,831,184)</u>	<u>\$ (9,822,886)</u>

(Continued)

City of Marquette, Michigan
Changes in Net Assets
Last Five Fiscal Years

		Fiscal Year				
		2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets						
Governmental Activities						
Taxes						
Property taxes	\$	8,199,808	\$ 7,579,498	\$ 7,155,812	\$ 6,305,971	\$ 5,955,861
Payments in lieu of taxes		2,647,876	2,375,979	2,353,273	2,053,758	2,027,879
Unrestricted state sources		2,573,077	2,290,677	2,234,285	2,185,248	2,264,254
Investment earnings		482,029	827,856	255,506	88,521	(97,837)
Miscellaneous		432,952	138,306	133,747	69,510	428,449
Transfers		(1,718,975)	1,551,006	(842,977)	(420,516)	(228,117)
Extraordinary item - Flood Costs		-	-	-	-	(10,467)
Total Governmental Activities		<u>12,616,767</u>	<u>14,763,322</u>	<u>11,289,646</u>	<u>10,282,492</u>	<u>10,340,022</u>
Business-Type Activities						
Investment earnings		61,743	74,054	230,576	233,480	263,458
Miscellaneous		15,217	3,838	91,116	-	(2,105)
Transfers		1,718,975	(1,551,006)	842,977	420,516	228,117
Total Business-Type Activities		<u>1,795,935</u>	<u>(1,473,114)</u>	<u>1,164,669</u>	<u>653,996</u>	<u>489,470</u>
Total Primary Government	\$	<u>14,412,702</u>	<u>\$ 13,290,208</u>	<u>\$ 12,454,315</u>	<u>\$ 10,936,488</u>	<u>\$ 10,829,492</u>
Change in Net Assets						
Governmental activities	\$	(166,865)	\$ 14,763,322	\$ (657,731)	\$ 1,841,750	\$ 733,568
Business-type activities		1,046,100	(1,473,114)	(363,342)	(62,112)	264,740
Total Primary Government	\$	<u>879,235</u>	<u>\$ 13,290,208</u>	<u>\$ (1,021,073)</u>	<u>\$ 1,779,638</u>	<u>\$ 998,308</u>

City of Marquette, Michigan
Fund Balances, Governmental Funds
Last Ten Fiscal Years

		Fiscal Year									
		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund											
Reserved		\$ 155,423	\$ 362,919	\$ 507,146	\$ 639,116	\$ 1,377,892	\$ 479,435	\$ 2,618,243	\$ 756,323	\$ 1,041,556	\$ 916,250
Unreserved		7,525,536	6,212,319	3,858,518	3,501,239	2,657,563	3,216,679	2,734,442	5,134,198	3,578,665	3,191,853
Total General Fund		<u>\$ 7,680,959</u>	<u>\$ 6,575,238</u>	<u>\$ 4,365,664</u>	<u>\$ 4,140,355</u>	<u>\$ 4,035,455</u>	<u>\$ 3,696,114</u>	<u>\$ 5,352,685</u>	<u>\$ 5,890,521</u>	<u>\$ 4,620,221</u>	<u>\$ 4,108,103</u>
All Other Governmental Funds											
Reserved		\$ 630,978	\$ 738,103	\$ 1,005,637	\$ 1,374,127	\$ 3,576,886	\$ 528,217	\$ 1,006,840	\$ 9,460,616	\$ 10,107,356	\$ 8,794,757
Unreserved, reported in:											
Special revenue funds		1,552,428	2,435,075	2,689,965	42,347	338,184	49,777	37,967	(33,198)	(28,565)	117,615
Capital projects funds		108,103	4,472,029	-	-	-	-	-	-	-	355,407
Debt service funds		298,078	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds		<u>\$ 2,589,587</u>	<u>\$ 7,645,207</u>	<u>\$ 3,695,602</u>	<u>\$ 1,416,474</u>	<u>\$ 3,915,070</u>	<u>\$ 577,994</u>	<u>\$ 1,044,807</u>	<u>\$ 9,427,418</u>	<u>\$ 10,078,791</u>	<u>\$ 9,267,779</u>

City of Marquette, Michigan
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Taxes	\$ 10,847,684	\$ 9,955,477	\$ 9,509,085	\$ 8,359,729	\$ 7,983,740	\$ 7,886,445	\$ 7,753,738	\$ 7,842,491	\$ 7,772,253	\$ 7,433,236
Federal and state sources	4,868,291	4,468,979	7,990,533	4,284,731	6,143,936	5,451,549	5,915,467	5,254,885	4,612,827	5,002,412
Fines and penalties	143,942	99,652	95,917	137,572	136,538	138,538	139,794	118,463	117,874	113,240
Charges for services	3,353,335	3,509,327	4,350,929	4,998,815	3,920,203	3,267,018	3,073,992	2,977,625	2,910,359	2,952,656
Special assessments	61,428	44,179	89,813	63,506	66,143	104,534	92,978	209,115	22,584	72,095
Intergovernmental	205,282	162,210	143,489	128,399	156,009	134,616	132,768	112,827	80,764	92,247
Investment earnings	502,924	838,865	255,506	88,521	(97,837)	269,968	736,734	775,413	320,230	316,899
Other revenues	1,783,141	1,417,338	275,689	284,229	726,773	380,277	195,638	(75,848)	2,309,148	2,366,072
Total Revenues	21,766,027	20,496,027	22,710,961	18,345,502	19,035,505	17,632,945	18,041,109	17,214,971	18,146,039	18,348,857
Expenditures										
General government	3,277,349	3,148,954	3,032,209	3,143,668	3,633,875	3,336,036	4,573,200	4,462,727	4,532,944	4,055,673
Public health and safety	5,293,882	5,008,943	4,902,040	4,734,456	4,500,789	4,528,147	3,357,199	3,164,445	3,618,956	3,976,852
Public works	3,816,279	3,035,467	2,946,331	7,983,219	2,709,344	3,324,287	4,933,970	2,092,375	1,727,003	1,825,822
Highway and streets	2,293,033	2,265,398	2,247,944	2,520,487	2,330,711	2,336,198	2,282,025	2,658,072	2,109,105	2,419,365
Social services	341,963	355,193	511,948	503,334	840,683	371,076	234,628	206,248	216,714	207,519
Sanitation	1,425,630	1,230,891	1,191,959	1,516,946	1,144,322	1,188,362	942,994	961,665	964,944	760,419
Recreation and culture	1,377,627	1,325,545	1,302,717	1,316,150	1,159,649	1,353,954	1,368,774	1,151,646	997,649	1,545,653
Capital outlay	6,805,784	3,760,586	1,835,300	2,605,104	3,186,792	1,214,746	536,311	413,537	1,651,886	1,494,160
Other expenditures	-	-	-	-	-	-	-	377,111	366,080	585,440
Special Assessments	-	-	-	-	24,847	48,726	24,920	149,272	240,568	-
Debt Service										
Professional and contractual	-	298,796	-	-	-	-	-	-	-	-
Interest	906,149	628,993	855,638	499,388	362,232	390,166	398,150	427,128	414,722	524,662
Principal	1,437,359	952,788	918,575	874,138	627,229	604,042	537,424	810,673	566,280	802,086
Total Expenditures	26,975,055	22,011,554	19,744,661	25,696,890	20,520,473	18,695,740	19,189,595	16,874,899	17,406,851	18,197,651
Excess of revenues over (under) expenditures	(5,209,028)	(1,515,527)	2,966,300	(7,351,388)	(1,484,968)	(1,062,795)	(1,148,486)	340,072	739,188	151,206
Other Financing Sources (Uses)										
Proceeds from borrowing	3,209,234	10,819,061	-	5,000,000	5,178,100	-	367,859	-	200,000	2,480,000
Premium on bond issuance	-	3,792	-	-	-	-	-	-	-	-
Extinguishment of debt	-	(5,082,566)	-	-	-	-	-	-	-	(2,280,000)
Payments to escrow agent	-	-	-	-	-	-	-	-	-	(200,000)
Transfers in	7,722,687	5,082,450	3,324,148	2,228,797	3,059,119	5,244,319	2,152,539	2,213,803	2,928,071	3,172,826
Transfers out	(9,436,369)	(3,148,031)	(3,786,011)	(2,271,105)	(2,907,308)	(5,000,766)	(1,895,274)	(1,956,970)	(2,562,309)	(2,803,139)
Extraordinary item - Flood Costs	-	-	-	-	(168,526)	(796,580)	-	-	-	-
Total Other Financing Sources (Uses)	1,495,552	7,674,706	(461,863)	4,957,692	5,161,385	(553,027)	625,124	256,833	565,762	369,687
Net change in fund balances	\$ (3,713,476)	\$ 6,159,179	\$ 2,504,437	\$ (2,393,696)	\$ 3,676,417	\$ (1,615,822)	\$ (523,362)	\$ 596,905	\$ 1,304,950	\$ 520,893
Debt Service as a Percentage of Non-capital Expenditures	10.35%	8.67%	9.91%	5.95%	5.71%	5.69%	5.02%	7.52%	6.23%	7.94%

City of Marquette, Michigan

Table 5

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS (A)

LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government	\$ 3,277,349	\$ 3,148,815	\$ 3,032,209	\$ 3,143,230	\$ 2,928,666	\$ 3,336,036	\$ 4,566,586	\$ 4,327,289	\$ 4,473,871	\$ 4,019,929
Public Health and Safety	5,293,883	5,008,943	4,902,040	4,734,456	4,500,789	4,576,873	3,376,236	3,307,314	3,854,755	3,969,561
Highways, Streets and Bridges	6,109,312	5,300,865	5,194,275	10,503,706	5,040,055	5,660,485	7,215,054	4,748,300	3,826,384	4,245,187
Sanitation	1,425,630	1,230,891	1,191,959	1,516,946	1,144,322	1,188,362	942,994	961,665	964,944	760,419
Social Services	341,963	355,193	511,948	503,334	840,683	371,076	217,496	185,010	189,906	192,333
Recreation and Culture	1,377,627	1,325,545	1,302,717	1,316,150	1,159,649	1,353,954	1,364,479	1,142,973	985,256	1,533,890
Capital Outlay	299,780	367,866	40,497	69,390	274	251,007	536,311	413,537	1,434,054	646,227
Debt Service	485,028	485,595	486,078	484,231	481,845	485,220	426,866	633,678	368,281	721,295
TOTALS	<u>\$ 18,610,572</u>	<u>\$ 17,223,713</u>	<u>\$ 16,661,723</u>	<u>\$ 22,271,443</u>	<u>\$ 16,096,283</u>	<u>\$ 17,223,013</u>	<u>\$ 18,646,022</u>	<u>\$ 15,719,766</u>	<u>\$ 16,097,451</u>	<u>\$ 16,088,841</u>

(A) Includes General and Special Revenue Funds

City of Marquette, Michigan

Table 6

GENERAL REVENUES BY SOURCES (A)

LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Property Taxes	\$ 8,199,808	\$ 7,579,498	\$ 7,155,812	\$ 6,305,971	\$ 5,955,861	\$ 5,801,421	\$ 5,653,404	\$ 5,731,848	\$ 5,637,496	\$ 5,337,013
Payments in lieu of property taxes	2,647,876	2,375,979	2,353,273	2,053,758	2,027,879	2,085,024	2,100,334	2,110,643	2,134,757	2,096,223
State and Federal sources	4,868,291	4,427,476	7,442,771	4,252,731	5,012,952	5,367,545	5,915,467	5,254,885	4,616,701	5,002,412
Intergovernmental revenue	205,282	162,210	143,489	128,399	156,009	134,616	132,768	112,827	79,759	92,247
Licenses and permits	33,354	33,574	28,250	36,243	18,543	17,069	17,779	18,552	17,949	19,042
Charges for services	3,335,860	3,489,134	3,411,545	4,060,366	3,091,139	2,410,279	2,311,854	2,152,686	2,077,295	2,003,932
Sales	162,349	177,963	173,771	166,466	176,336	183,290	172,578	143,853	142,009	178,356
Use and admission fees	622,400	680,392	580,624	592,834	496,419	502,252	446,142	490,420	528,473	534,937
Fines and forfeits	143,942	99,652	95,917	137,572	136,538	138,538	139,794	118,463	117,874	113,240
Rentals	83,776	158,526	135,111	126,317	123,816	120,937	125,639	172,114	142,818	214,773
Special assessments	61,428	44,179	89,813	63,506	66,143	104,534	92,978	209,115	22,584	72,095
Sale of assets	251,171	-	908	11,721	3,743	68,464	14,134	3,106	4,409	103,934
Contribution from private sources	103,756	124,718	107,630	21,915	21,500	95,321	94,829	45,500	29,043	65,690
Reimbursements	268,727	49,910	53,771	40,090	20,433	20,580	30,575	27,545	7,838	9,234
Investment income	402,363	614,673	172,377	21,945	(128,122)	255,826	736,734	775,369	309,371	310,245
Other revenue	253,355	192,255	113,380	53,029	117,391	63,912	17,141	30,232	523,321	219,409
TOTAL	\$ 21,643,738	\$ 20,210,139	\$ 22,058,442	\$ 18,072,863	\$ 17,296,580	\$ 17,369,608	\$ 18,002,150	\$ 17,397,158	\$ 16,391,697	\$ 16,372,782

(A) Includes General and Special Revenue Funds

City of Marquette, Michigan
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Residential Property	Commercial Property	Industrial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Non-homestead Tax Rate
1999	\$ 387,741,800	\$ 710,834,000	\$ 189,743,000	\$ 550,000,000	\$ 738,318,800	52.4645
2000	405,804,000	765,042,200	189,705,000	600,000,000	760,551,200	52.9245
2001	422,472,800	805,199,200	189,647,800	630,000,000	787,319,800	52.3896
2002	445,150,600	816,953,800	189,142,200	640,000,000	811,246,600	52.3904
2003	464,986,000	835,304,526	195,691,400	654,000,000	841,981,926	51.5246
2004	490,583,800	871,054,400	194,428,600	660,000,000	896,066,800	50.2004
2005	518,825,918	919,595,096	200,286,600	670,000,000	968,707,614	51.3095
2006	599,036,634	893,544,328	198,964,000	669,738,800	1,021,806,162	52.2010
2007	677,157,600	942,051,800	201,124,600	671,612,000	1,148,722,000	52.5148
2008	745,172,800	972,932,800	201,442,400	671,485,600	1,248,062,400	52.1615

Source: City of Marquette Assessor's Department.

Note: Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to 50% of true cash value. Tax rates are per \$1,000 of taxable value.

City of Marquette, Michigan
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	City District Rates				(A) (B) Overlapping Rates*			
	General Fund	Library Fund	Debt Service Funds	Total Direct	Marquette Area		Total	
					Public School District	County of Marquette		
1999	\$ 13.630	\$ 1.418	\$ 1.000	\$ 16.048	\$ 8.600	\$ 9.816	\$ 34.464	
2000	14.130	1.418	0.960	16.508	8.600	9.816	34.924	
2001	13.630	1.418	0.950	15.998	8.600	9.792	34.390	
2002	13.630	1.418	0.950	15.998	8.600	9.792	34.390	
2003	13.630	1.418	0.900	15.948	7.800	9.777	33.525	
2004	13.630	1.418	0.850	15.898	6.600	9.703	32.201	
2005	13.710	1.418	0.820	15.948	7.600	9.762	33.310	
2006	14.710	1.413	0.800	16.923	7.600	9.678	34.201	
2007	15.273	1.405	0.780	17.458	7.500	9.622	34.580	
2008	15.273	1.389	0.680	17.342	7.300	9.520	34.162	

Source: City of Marquette Treasurer's Department.

Note: Rates for debt service are set based on each year's requirements.

* Overlapping rates are those of local and county governments that apply to property owners within the City of Marquette.

(A) - Includes Debt Service

(B) - Includes Intermediate School District, Special Education, County Wide Transit, and County Medical Facility.

Table 9

City of Marquette, Michigan
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
WE Energies	\$ 94,149,600	1	15.73%	\$ 98,786,000	1	26.47%
Marquette Medical Dental Center	10,241,278	2	1.69%	6,919,370	2	1.85%
O'Dovero Properties	4,445,112	4	0.71%	4,047,720	4	1.42%
HJ Larson & Associates, Inc.	3,997,899	6	0.64%	3,200,274	5	1.08%
Tourville Inc.	3,948,800	3	0.63%	5,280,855	3	0.86%
Shopko Stores, Inc.	3,022,700	5	0.48%	2,495,015	7	0.73%
Marquette General Hospital	2,343,493	7	0.38%			
Dagenais Real Estate	2,278,806	8	0.37%	2,738,718	6	0.67%
MFC First National Bank	2,266,258	9	0.36%	2,317,949	8	0.62%
Marquette Golf & Country Club	2,233,296	10	0.36%			
Woodview Village				2,307,530	9	0.62%
SEMCO Energy Gas Co.				1,982,900	10	0.53%
Total	<u>\$ 128,927,242</u>		<u>21.35%</u>	<u>\$ 130,076,331</u>		<u>34.85%</u>

Source: City of Marquette Assessor's Department.

City of Marquette, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
(A)	1999	\$ 5,989,211	\$ 5,987,933	99.98%	\$ 44,673	\$ 6,032,606	100.72%
	2000	6,295,517	6,295,517	100.00%	6,590	6,302,107	100.10%
	2001	6,299,792	6,299,792	100.00%	9,455	6,309,247	100.15%
	2002	6,550,764	6,550,764	100.00%	20,482	6,571,246	100.31%
	2003	6,741,644	6,741,644	100.00%	7,616	6,749,260	100.11%
	2004	6,903,752	6,903,752	100.00%	15,704	6,919,456	100.23%
	2005	7,259,943	7,259,943	100.00%	5,722	7,265,665	100.08%
	2006	8,075,509	8,075,509	100.00%	34,008	8,109,517	100.42%
	2007	8,812,414	8,812,414	100.00%	4,529	8,816,943	100.05%
	2008	9,252,961	9,252,961	100.00%	7,450	9,260,411	100.08%

(A) Beginning in Fiscal Year 1999 County stopped charging back for unpaid real estate taxes.

Source: Marquette City Treasurer's Department.

City of Marquette, Michigan
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Installment Purchase	Building Authority Bonds	Transportation Bonds	State Infrastructure Bank Note	State Revolving Loan	Water & Sewer Bonds	Marina Bond	Storm Water Bond	Intermodal Transportation Note			
1999	\$ 149,986	\$ 268,733	\$ 6,170,000	\$ 3,020,000	\$ -	\$ -	\$ 9,259,233	\$ 955,000	\$ 2,435,000	\$ 44,934	\$ 22,302,886	5.40%	\$ 1,165
2000	140,014	432,081	5,860,000	2,810,000	-	-	8,954,732	910,000	2,270,000	38,804	21,415,631	4.89%	1,091
2001	129,244	200,000	5,540,000	2,560,000	-	-	8,416,529	865,000	2,095,000	-	19,805,773	4.37%	1,007
2002	117,676	552,004	5,300,000	2,290,000	-	-	7,838,700	815,000	1,910,000	-	18,823,380	3.91%	909
2003	104,911	495,727	5,050,000	2,005,000	-	-	7,231,311	765,000	1,715,000	-	17,366,949	3.43%	845
2004	4,025,949	437,460	4,790,000	1,710,000	1,243,100	-	10,340,544	745,000	1,510,000	-	24,802,053	4.67%	1,198
2005	8,875,791	376,353	4,520,000	1,400,000	1,160,227	-	9,585,037	670,000	1,295,000	-	27,882,408	5.26%	1,349
2006	8,709,037	312,404	4,240,000	1,075,000	1,077,354	-	8,809,610	600,000	1,065,000	-	25,888,405	4.90%	1,258
2007	14,151,087	245,439	3,945,000	735,000	994,481	209,061	9,188,751	530,000	820,000	-	30,818,819	5.68%	1,504
2008	16,270,200	175,500	3,630,000	380,000	911,607	684,636	12,149,606	460,000	2,248,385	-	36,909,934	6.38%	1,776

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Table 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

City of Marquette, Michigan
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		Percentage of Taxable Assessed Value ^a of Property	Per Capita ^b
	General			
	Obligation Bonds			
1999	\$ 9,242,095		1.17%	\$ 501.84
2000	8,429,244		1.04%	470.72
2001	8,259,680		0.98%	428.73
2002	7,655,638		0.85%	398.75
2003	12,206,509		1.26%	372.59
2004	16,332,371		1.60%	589.57
2005	15,413,795		1.34%	790.38
2006	20,071,007		1.61%	748.93
2007	20,280,068		1.34%	989.85
2008	22,051,943		1.77%	1,061.21

Note: Detail regarding the city's outstanding debt can be found in the notes to financial statements.

^a See Table 7 for property value data.

^b Population data can be found in Table 16.

City of Marquette, Michigan
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt Repaid With Property Taxes			
City of Marquette	\$ 21,671,943	100.00%	\$ 21,671,943
County School District	7,545,000	62.31%	4,701,290
County of Marquette	1,705,000	29.28%	499,224
Other Debt			
Transportation Bonds	380,000	100.00%	380,000
Library Improvements	2,910,000	100.00%	2,910,000
Tax Increment Bonds - DDA	499,999	100.00%	499,999
Total Direct and Overlapping Debt			\$ 30,662,456

Sources: Assessed value data used to estimate applicable percentages provided by the Marquette County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Marquette. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Marquette, Michigan
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt Limit	\$ 62,403,120	\$ 50,273,175	\$ 47,722,369	\$ 45,523,480	\$ 43,426,154	\$ 42,272,394	\$ 40,471,374	\$ 39,378,376	\$ 38,135,925	\$ 37,320,377
Total net debt applicable to limit	<u>22,051,943</u>	<u>20,280,068</u>	<u>18,927,940</u>	<u>20,658,944</u>	<u>16,936,500</u>	<u>12,768,085</u>	<u>13,549,680</u>	<u>14,049,244</u>	<u>15,208,717</u>	<u>15,871,128</u>
Legal Debt Margin	<u>\$ 40,351,177</u>	<u>\$ 29,993,107</u>	<u>\$ 28,794,429</u>	<u>\$ 24,864,536</u>	<u>\$ 26,489,654</u>	<u>\$ 29,504,309</u>	<u>\$ 26,921,694</u>	<u>\$ 25,329,132</u>	<u>\$ 22,927,208</u>	<u>\$ 21,449,249</u>
Total net debt applicable to the limit as a percentage of debt limit	35.34%	40.34%	39.66%	45.38%	39.00%	30.20%	33.48%	35.68%	39.88%	42.53%

Legal Debt margin Calculation for Fiscal Year 2008:

State Equalized Assessed Value (SEV)	\$ 624,031,200
Debt limit (10% of total assessed value)	62,403,120
Debt applicable to limit:	
General obligation bonds	22,051,943
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>22,051,943</u>
Legal debt margin	<u>\$ 40,351,177</u>

Note: Under State finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value.

City of Marquette, Michigan
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Supply and Sewage Disposal Bonds						Marina Bonds					
	Gross Revenue (1)	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage	Gross Revenue (2)	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
1999	\$ 6,616,857	\$ 4,450,133	\$ 2,166,724	\$ 285,000	\$ 472,163	2.86	\$ 211,548	\$ 266,986	\$ (55,438)	\$ 45,000	\$ 54,770	(0.56)
2000	6,574,762	4,620,270	1,954,492	410,000	455,881	2.26	244,170	261,038	(16,868)	45,000	52,610	(0.17)
2001	6,049,251	4,950,437	1,098,814	440,000	433,023	1.26	278,081	372,188	(94,107)	45,000	50,371	(0.99)
2002	5,824,445	1,705,000	968,717	460,000	408,551	1.12	610,856	298,055	312,801	50,000	47,936	3.19
2003	6,004,114	4,966,469	1,037,645	485,000	380,898	1.20	238,680	340,892	(102,212)	50,000	44,842	(1.08)
2004	5,885,421	5,155,256	730,165	125,000	282,576	1.79	254,110	381,534	(127,424)	55,000	33,883	(1.43)
2005	5,898,264	5,610,137	288,127	620,000	197,933	0.35	264,061	337,750	(73,689)	75,000	19,300	(0.78)
2006	6,044,127	6,025,785	18,342	630,000	185,565	0.02	293,346	351,866	(58,520)	70,000	17,900	(0.67)
2007	6,117,237	6,212,183	(94,946)	640,000	172,915	(0.12)	301,757	373,136	(71,379)	70,000	16,413	(0.83)
2008	6,211,078	6,237,878	(26,800)	590,000	155,115	(0.04)	280,356	362,092	(81,736)	70,000	14,594	(0.97)

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

- (1) Total operating revenues including interest.
- (2) Total operating revenues include interest and an operating grant.
- (3) Total operating revenues including interest and excluding grants.
- (4) Total operating revenues including interest, and delayed payment fees beginning in 1997.
- (5) Total operating expenses excluding payment in lieu of taxes.
- (6) 1993 Series Bond Issue - Called October 11, 2001.

City of Marquette, Michigan
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Stormwater Utility Bonds						Electric Utility Bonds					
	Gross Revenue (3)	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage	Gross Revenue	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
1999	\$ 873,227	\$ 300,301	\$ 572,926	\$ 155,000	\$ 123,190	2.06	\$ 20,594,729	\$ 12,005,104	\$ 8,589,625	\$ 2,530,000	\$ 1,623,990	2.07
2000	1,021,413	318,016	703,397	165,000	116,680	2.50	20,684,893	13,619,680	7,065,213	2,725,000	1,502,550	1.67
2001	875,726	350,192	525,534	175,000	109,585	1.85	21,959,339	14,269,046	7,690,293	2,850,000	1,371,750	1.82
2002	751,114	435,175	315,939	185,000	101,885	1.10	21,790,621	13,777,615	8,013,006	2,850,000	1,104,864	2.03
										24,320,000 (6)		
2003	744,630	833,054	(88,424)	195,000	93,560	(0.31)	25,474,342	17,496,805	7,977,537	2,675,000	604,628	2.43
2004	716,049	608,570	107,479	205,000	83,843	0.37	24,235,182	16,765,002	7,470,180	3,610,000	509,865	1.81
2005	697,959	607,499	90,460	230,000	64,635	0.31	25,251,067	19,958,521	5,292,546	3,705,000	349,050	1.31
2006	714,865	801,622	(86,757)	230,000	53,250	(0.31)	24,345,158	18,720,262	5,624,896	3,805,000	406,125	1.34
2007	844,869	838,382	6,487	245,000	53,250	0.02	24,791,443	20,413,191	4,378,252	2,695,000	291,975	1.47
2008	872,100	987,529	(115,429)	255,000	45,236	(0.38)	27,107,395	20,994,867	6,112,528	2,790,000	203,040	2.04

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

- (1) Total operating revenues including interest.
- (2) Total operating revenues include interest and an operating grant.
- (3) Total operating revenues including interest and excluding grants.
- (4) Total operating revenues including interest, and delayed payment fees beginning in 1997.
- (5) Total operating expenses excluding payment in lieu of taxes.
- (6) 1993 Series Bond Issue - Called October 11, 2001.

City of Marquette, Michigan
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level In Years of Schooling	School Enrollment	Unemployment Rate
1999	19,147	\$ 413,096,525	\$ 21,575	29.1	12.8	4,387	4.0
2000	19,634	438,132,710	22,315	29.1	12.8	4,221	4.7
2001	19,661	453,736,558	23,078	30.6	12.8	4,072	4.6
2002	20,714	481,807,640	23,260	30.6	12.8	3,894	6.0
2003	20,547	505,867,140	24,620	30.6	12.8	3,742	6.2
2004	20,704	531,595,904	25,676	30.6	12.8	3,660	5.1
2005	20,664	530,568,864	25,676	30.6	12.8	3,573	6.1
2006	20,581	528,437,756	25,676	30.6	12.8	3,470	5.5
2007	20,488	543,054,928	26,506	30.6	12.8	3,449	6.3
2008	20,780	578,660,660	27,847	30.6	12.8	3,291	6.3

Sources: Population, personal income, and per capital income provided by the U.S. Department of Commerce, Bureau of Economic Analysis.

Median age provided by the U.S. Bureau of Census.

Education and school enrollment provided by from Marquette-Alger Regional Education Service Agency.

Unemployment provided from the Michigan Employment Security Commission.

City of Marquette, Michigan
Principal Employers
Current Year and Nine Years Ago

Taxpayer	2008			1999 ^a		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Marquette General Health Systems	2,398	1	6.68%	1,857	1	5.82%
Cleveland Cliffs	1,545	2	4.30%			
Northern Michigan University	1,155	3	3.22%	1,180	2	3.70%
Peninsula Medical Center	630	4	1.76%			
Westwood Mall Merchants	500	5	1.39%			
Marquette Area Public School District	425	6	1.18%	455	5	1.43%
Michigan Department of Corrections	425	7	1.18%			
Bell Memorial Heath System	335	8	0.93%	300	7	0.94%
County of Marquette	283	9	0.79%			
AMR Regional Aircraft Maintenance Facility	225	10	0.63%			
Empire Iron Mining Partnership				1,000	3	3.13%
Tilden Mining Co.				900	4	2.82%
Wal-Mart Stores, Inc.				400	6	1.25%
American Eagle Airlines, Inc.				250	8	0.78%
Gwinn Area Community Schools				245	9	0.77%
Ojibwa Casino II				235	10	0.74%
Total	<u>7,921</u>		<u>22.07%</u>	<u>6,822</u>		<u>21.38%</u>

Source: U.S. Census, Michigan Economic Development Corporation, and Michigan Department of Labor and Economic Growth provided on a county wide basis.

^a Information dating back to 1999 was not available, therefore the oldest information available from the above sources was used, which dates back to 2004.

City of Marquette, Michigan
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government										
Administration Services	26	26	21	23	23	26	23	22	20	22
Public Health and Safety										
Police Officers	37	39	39	41	41	41	42	42	42	40
Firefighters and Officers	25	25	25	26	26	25	25	27	26	26
Public Works	32	33	35	37	39	40	38	36	36	37
Highway and Streets	11	11	6	8	9	9	8	7	7	8
Social Services	4	4	4	5	4	5	5	5	5	5
Recreation and Culture	7	6	6	7	7	8	7	7	8	8
Storm Water	1	1	1	1	1	1	1	1	-	-
Motor Pool	7	7	9	10	10	10	10	10	10	10
Water	15	15	15	17	16	16	17	17	17	17
Wastewater	9	9	8	9	10	10	10	10	10	10
Library	15	14	14	14	14	15	14	15	14	15
Total	189	190	183	198	200	206	200	199	195	198

Source: City Budget Office

City of Marquette, Michigan
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Physical arrests	1,411	1,424	1,401	909	1,424	1,549	1,843	1,738	848	1,543
Parking violations	9,870	8,888	10,039	9,699	7,374	4,696	4,463	10,517	9,711	12,338
Traffic violations	2,105	2,910	2,484	2,607	3,182	3,048	3,438	3,394	1,731	438
Fire										
Emergency responses	562	638	540	535	603	450	503	474		
Fires extinguished	22	29	29	32	34	32	39	24		
Inspections	781	1,705,000	841	127	167	213	203	154		
Refuse collection										
Refuse collected (tons per week)	56.8	57.4	31.8	53.2	86.9	37.8	19.7	35.0		
Recycling (tons per week)	15.3	17.2								
Other public works										
Street resurfacing (miles)	0.3	2.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Potholes repaired	-	108	1	1	1	1	1	1	1	1
Parks and recreation										
Total Campers	8,756	9,308	10,202	9,243	8,196	8,119	9,769	10,677	7,932	
Beach Attendance	28,939	29,557	34,381	41,498	22,133	37,679	28,629	30,697		
Library										
Volumes in collection	220,812	214,802	200,000	195,406	191,711	183,314	174,916	161,356	160,617	152,703
Total volumes borrowed	327,787	335,991	335,008	300,443	328,216	328,360	322,194			
Water										
Consumers	5,801	5,739	5,697	5,683	5,589	5,575	5,684	5,756	5,744	5,771
Water mains breaks	12									
Average daily consumption (millions of gallons)	2.75	2.77	2.93	3.41	2.92	3.06	2.92	2.94	3.08	3.15
Wastewater										
Average daily sewage treatment (millions of gallons)	3.09	3.04	3.30	3.29	3.39	3.53	3.35	3.38	3.54	3.65

Source: Various City Departments

City of Marquette, Michigan
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Other Public works										
Streets (miles)	91.5	99.0	99.0	98.0	98.0	97.0	85.4	85.4	85.4	85.4
Streetlights	2,317	2,317	2,358	2,358	2,349	2,354	2,387	2,386	2,402	2,372
Parks and recreation										
Parks	19	19	19	19	18	18	18	18	18	18
Playfields	13	13	13	13	13	13	13	11	11	11
Marina	2	2	2	2	2	2	2	2	2	2
Camping Spaces	110	110	110	110	110	110	110	110	110	110
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	98.1	96.5	96.5	96.5	93.5	91.0	90.0	89.8	89.7	89.3
Wastewater										
Sanitary sewers (miles)	88.3	93.0	93.0	93.0	89.5	88.7	88.7	88.5	88.5	88.4
Storm sewers (miles)	49.0	59.0	59.0	59.0	56.0	50.0	47.5	47.4	47.3	47.3

Source: Various City Departments

CITY OF MARQUETTE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended June 30, 2008

TABLE OF CONTENTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	5-7
Independent Auditors' Report	8-9
Schedule of Expenditures of Federal Awards.....	10
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs.....	12-17
Schedule of Prior Year Findings and Questioned Costs.....	18



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Honorable Mayor, Members of the
City Commission and City Manager
City of Marquette, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marquette, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Marquette, Michigan's basic financial statements and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We did not audit the financial statements of the Board of Light and Power, a component unit of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Light and Power was based solely on the report of other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Marquette, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marquette, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marquette, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

Honorable Mayor, Members of the
City Commission and City Manager
City of Marquette, Michigan

prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Marquette, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Marquette, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Marquette's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See items 08-01, 08-02, and 08-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Marquette, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marquette, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-04 and 08-05.

The City of Marquette, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Marquette, Michigan's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC

Certified Public Accountants
November 24, 2008



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, Members of the
City Commission and City Manager
City of Marquette, Michigan

Compliance

We have audited the compliance of the City of Marquette, Michigan with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Marquette, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Marquette, Michigan's management. Our responsibility is to express an opinion on the City of Marquette, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marquette, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Marquette, Michigan's compliance with those requirements.

In our opinion, the City of Marquette, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Honorable Mayor, Members of the
City Commission and City Manager
City of Marquette, Michigan

Internal Control Over Compliance

The management of the City of Marquette, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Marquette, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Marquette, Michigan's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Marquette, Michigan, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Marquette, Michigan's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Honorable Mayor, Members of the
City Commission and City Manager
City of Marquette, Michigan

The City of Marquette, Michigan's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Marquette, Michigan's response and, accordingly, we express not opinion on it.

This report is intended solely for the information and use of management, City Commission, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

November 24, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City
Commission and the City Manager of the
City of Marquette, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison for the General Fund and the Major and Local Street Funds, and the aggregate remaining fund information of the City of Marquette, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City of Marquette, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marquette, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Light and Power, a component unit of the City, which represents 84 percent and 91 percent of the assets and revenues of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Light and Power, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison for the General Fund and the Major and Local Street Funds, and the aggregate remaining fund information of the City of Marquette, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor, Members of the City
Commission and the City Manager of the
City of Marquette, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the City of Marquette, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 23 through 33 and pages 42 through 43, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marquette, Michigan. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

November 24, 2008

CITY OF MARQUETTE, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Project Period	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2007	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2008
U.S. Department of Agriculture:								
Passed through Michigan Department of Natural Resources:								
Arbor Day Mini Grant Program								
Project AD 08-31	10.664	1/04/08-6/30/08	\$ 200	\$ -	\$ -	\$ 200	\$ 200	\$ -
TOTAL PASSED THROUGH MICH DEPT OF NATURAL RESOURCES			200	-	-	200	200	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			200	-	-	200	200	-
U.S. Department of Housing and Urban Development:								
Passed through Mich.State Housing Development Authority:								
CDBG Downtown Land Assembly Project								
200622 CDBG-CAT	14.228	10/1/06-12/31/07	200,000	-	-	183,231	183,231	-
TOTAL PASSED THROUGH MICH. STATE HOUSING DEVELOPMENT AUTHORITY			200,000	-	-	183,231	183,231	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			200,000	-	-	183,231	183,231	-
U.S. Department of the Interior:								
Passed through Michigan Department of Natural Resources:								
Outdoor Recreation Acquisition, Development and Planning								
26-01637	15.916	6/01/05-5/31/07	280,000	235,704	-	10,878	10,878	-
TOTAL PASSED THROUGH MICHIGAN DEPARTMENT OF NATURAL RESOURCES			280,000	235,704	-	10,878	10,878	-
TOTAL U.S. DEPARTMENT OF THE INTERIOR			280,000	235,704	-	10,878	10,878	-
U.S. Department of Justice:								
Passed through Michigan Department of Community Health								
Byrne Memorial Formula Grant Funding								
Project 70768-1-07-B	16.738	10/01/06-9/30/07	30,694	23,535	-	5,804	5,804	-
Project 70768-2-08-B	16.738	1/07/08-9/30/08	30,694	-	-	18,692	18,692	-
TOTAL PASSED THROUGH MICH. DEPARTMENT OF COMMUNITY HEALTH			61,388	23,535	-	24,496	24,496	-
TOTAL U.S. DEPARTMENT OF THE JUSTICE			61,388	23,535	-	24,496	24,496	-
National Endowment for the Arts:								
Passed through Michigan Council for Arts and Cultural Affairs								
Arts Services Grant								
08SV0012ZZ	45.025	10/01/07-9/30/08	4,900	-	-	4,900	4,900	-
TOTAL PASSED THROUGH MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS			4,900	-	-	4,900	4,900	-
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			4,900	-	-	4,900	4,900	-
Environmental Protection Agency:								
Passed through Michigan Department of Environmental Quality								
Capitalization Grants for Clean Water State Revolving Funds								
5262-01	66.458	4/01/07-11/01/08	17,010,000	465,166	-	1,985,286	1,866,673	118,613
Non point Source Riparian								
480738 03	66.460	7/1/07-9/30/07	54,675	34,894	6,743	5,325	12,068	-
Beach Monitoring and Notification Implementation Grants								
8202172 001 2008	66.472	1/10/01-3/31/08	6,027	-	-	6,027	6,027	-
TOTAL PASSED THROUGH MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY			17,070,702	500,060	6,743	1,996,638	1,884,768	118,613
TOTAL ENVIRONMENTAL PROTECTION AGENCY			17,070,702	500,060	6,743	1,996,638	1,884,768	118,613
U.S. Department of Homeland Security:								
Passed through Chocolay Township Volunteer Fire Department								
Assistance to Firefighter Grant Program								
EMW-2006-FG-07096	97.044	7/01/07-6/30/08	32,400	-	-	13,410	13,410	-
EMW-2007-FR-00470	97.044	12/01/07-6/30/08	53,316	-	-	53,316	53,316	-
TOTAL PASSED THROUGH CHOCOLAY TOWNSHIP VOLUNTEER FIRE DEPARTMENT			85,716	-	-	66,726	66,726	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			85,716	-	-	66,726	66,726	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 17,702,906	\$ 759,299	\$ 6,743	\$ 2,287,069	\$ 2,175,199	\$ 118,613

CITY OF MARQUETTE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Marquette, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OVERSIGHT AGENCY:

The Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City of Marquette, Michigan's federal financial assistance.

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- The auditors' report expresses an unqualified opinion on the financial statements of the City of Marquette, Michigan.
- Internal control over financial reporting:
No material weaknesses were identified.
There were significant deficiencies reported (refer to Section B)
- Noncompliance items material to the financial statements were identified (refer to Section B).

Federal Awards

- Internal control over major programs:
No material weaknesses were identified.
No significant deficiencies considered to be material weaknesses were identified.
- The auditors' report expresses an unqualified opinion on the compliance for major programs.
- There were no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a) (refer to Section C).

Major Programs

- The program tested as a major program was the Capitalization Grants for Clean Water State Revolving Funds C.F.D.A. #66.458.
- The threshold for distinguishing Types A and B programs was \$300,000.
- The City of Marquette, Michigan was determined to be a high-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

08-01 Financial Reporting Cycle (REPEAT)

Condition/Criteria: At June 30, 2008, the City of Marquette, Michigan's interim financial packages as presented to the City Commission were not fully compliant with generally accepted accounting principles of reporting. The reporting packages lacked balance sheet and footnote information, which is necessary to determine the Governmental Unit's financial position.

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Effect: The City of Marquette, Michigan, is not in compliance with generally accepted accounting principles.

Cause of Condition: Failure of management to conform to current reporting standards.

Recommendation: The City of Marquette, Michigan needs to expand the reporting package to include balance sheet to conform to current reporting standards.

Management Response – Corrective Action Plan:

Contact Person(s) Responsible for Correction:

- Gary Simpson, Finance Director

Corrective Action Planned:

- Subsequent to the end of the year, a reporting package that is in conformity with the new reporting standards was being presented to the Commission and respective Advisory Boards.

Anticipated Completion Date:

- June 30, 2009

08-02 Financial Reporting Over Capital Assets

Condition/Criteria: The Peter White Public Library relies on the City of Marquette's records in relation to capital assets; however, no internal controls are established for relaying asset additions and disposal to the City.

Effect: The City's records may not be accurate in relation to the Peter White Public Library's additions and disposals.

Cause of Condition: Lack of communication between the primary government, the City of Marquette, and its component unit, the Peter White Public Library.

Recommendation: Peter White Public Library should maintain its own schedule of capital assets and accumulated depreciation to compare to the City's schedule on a regular basis throughout the year.

Management Response – Corrective Action Plan:

Contact Person(s) Responsible for Correction:

- Pamela Christensen, Library Director
- Gary Simpson, Finance Director

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Corrective Action Planned:

- The Peter White Public Library will establish a procedure for the internal control of capital assets. The Library Director and Finance Director will review all capital assets currently on record with the City of Marquette and will confirm which assets are still held by the Library and which have been removed from the Library's ownership. In addition the Library will update all records of Capital Assets and maintain an up-to-date data base of all assets. The Library will maintain a schedule of Capital Assets and Accumulated Depreciation and compare it with City of Marquette records on a quarterly basis. The Library will continue to update the Capital Assets report with any individual item costing \$5,000 or more.

Anticipated Completion Date:

- March 31, 2009

08-03 Journal Entry Review

Condition/Criteria: Journal entries are individually created and recorded by various staff in the Finance Department. No other person is required to review the respective journal entries.

Effect: Improper segregation of duties. Due to the fact no other person reviews and/or authorizes the respective journal entries, individuals within the Finance Department inadvertently perform inconsistent segregation of duties functions.

Cause of Condition: Lack of internal control.

Recommendation: Proper segregation of duties requires the separation of the recording and authorization processes. The City should develop a procedure for the review and approval of all journal entries that are prepared by individuals within the Finance Department to ensure the necessity and accuracy of the journal entries.

Management Response – Corrective Action Plan:

Contact person(s) responsible for correction:

- Gary Simpson, Finance Director

Corrective action planned:

- Management concurs. A procedure for the review and approval of all journal entries will be developed and implemented.

Anticipated completion date:

- June 30, 2009

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

08-04 –Excess Expenditures (REPEAT)

Condition/Criteria: The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

Effect: The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds follows:

Primary Government

Major Street Fund:

Transfers (out)	\$1,840,871
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Component Unit – Peter White Public Library

General Fund:

Parks and Recreation:

Personnel Services	2,717
Other Services and Charges	17,542
Transfers Out	188,541

Carroll Paul Memorial Trust Fund:

Parks and Recreation:

Other Services and Charges	3,011
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Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Recommendation: The City of Marquette, Michigan, and its component unit, Peter White Public Library, should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

Contact person(s) responsible for correction:

- Gary Simpson, Finance Director
- Pamela Christensen, Library Director

Corrective action planned:

- The City of Marquette, Michigan, and its component unit, Peter White Public Library, plan to review budget to actual numbers so that appropriate changes can be made to the final budgets throughout the course of the year.

Anticipated completion date:

- June 30, 2009

08-05 – Fund Balance Deficit (REPEAT)

Condition/Criteria: At June 30, 2008, the City of Marquette, Michigan had an unrestricted equity deficit in the Downtown Development Authority as stated below. Public Act 275 of 1980 requires that a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year.

<u>Component Unit – Downtown Development Authority</u>	
<u>Fund</u>	<u>Fund Balance Deficit Amount</u>
Parking System Fund	\$72,149
Capital Projects Fund	5,038

Effect: The City of Marquette, Michigan, is not in compliance with State Law.

Cause of Condition: Failure of operating revenues to cover operating expenditures in prior years.

Recommendation: The City of Marquette, Michigan needs to either increase operating revenues or decrease operating expenditures in the future.

Management Response – Corrective Action Plan:

Contact Person(s) Responsible for Correction:

- Gary Simpson, Finance Director

Corrective Action Planned:

- The revenue and expenditures will be more closely monitored. A deficit elimination plan has been filed with the Department of Treasury.

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Anticipated Completion Date:

- June 30, 2009

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None were noted.

CITY OF MARQUETTE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

There were no financial statement findings nor findings and questioned costs for major federal awards in the prior year.